

## INDICE

Acknowledgments	xi
Summary	1
<b>Chapter 1: Introduction: Motivation and Conceptual Framework</b>	17
1.1. A conceptual framework	18
1.2 The consequences of high inequality	24
Part 1: The Nature of Inequality in Latin America	33
<b>Chapter 2: Different Lives: Inequality in Latin America</b>	35
2.1 Some conceptual issues	35
2.2 Income inequality and beyond	37
2.3 Measurement-related issues and data limitations	48
2.4 Inequality in Latin America in perspective	53
2.5 Looking inside household income	57
2.6 inequality beyond income	66
2.7 Conclusions	71
<b>Chapter 3: Group-Based Inequalities: The Roles of Race, Ethnicity, and Gender</b>	77
3.1 Who are the people of Latin America?	78
3.2 Inequality among individuals during the lifecycle	84
3.3 Would income inequality decline if returns to human capital were more equal?	96
3.4 Conclusions	104
<b>Part II: The Determinants of Inequality in Latin America</b>	107
<b>Chapter 4: Historical Roots of Inequality in Latin America</b>	109
4.1 Factor endowments, inequality, and institutions	109
4.2 The persistence of inequality: The colonial period	112
4.3 The persistence of inequality: Post-independence	112
4.4 The 20th century	120
4.5 The 21st century and beyond	122
<b>Chapter 5: State-Society Interactions as Sources of Persistence and Change in Inequality</b>	123
5.1 Political and social structures as forces for the reproduction of inequality	125
5.2 The potential for equalizing political and social change	134
5.3 Conclusions	145
<b>Chapter 6: Economic Mechanisms for the Persistence of High Inequality in Latin America</b>	149
6.1 Asset distributions: Education and land	151
6.2 Job match quality	157
6.3 Remuneration in the labor markets	161
6.4 Household formation	165
6.5 Conclusions	173
<b>Part III: Policies for Lower Inequality</b>	175
<b>Chapter 7: Policies on Assets and Services</b>	177
7.1 Education	177

7.2 Property rights, land, and housing	189
7.3 infrastructure services and the distributional impact of privatization	204
7.4 Conclusions	215
<b>Chapter 8: Policies on Markets and Institutions</b>	217
8.1 Markets and inequality	217
8.2 Labor market policies and inequality	224
8.3 Inequality and macroeconomic crises	227
8.4 Conclusions	243
<b>Chapter 9: Taxation, Public Expenditures, and Transfers</b>	247
9.1 Taxes and distribution	248
9.2 Public social spending and distribution	257
9.3 Cash transfers and distribution	268
9.4 Conclusions	280
Statistical Appendix	285
Statistical Appendix 285	
Bibliography 351	
Boxes	
<b>Chapter 1</b>	
1.1 Measuring inequality of opportunities in Brazil	20
<b>Chapter 2</b>	
2.1. Social class	46
2.2. Mobility in Latin America: What little is known?	51
2.3. Some simple decompositions	63
2.4. Social capital and trust.	66
<b>Chapter 3</b>	70
3.1 Distribution of the population of the Americas: An historical evolution	79
3.2 Todos Contamos: Nacional census and social inclusión	80
3.3 The challenge of racial, ethnic, and gender identification and measurement	82
<b>Chapter 5</b>	85
3.4 What if we do hold" all else constant?"	
3.5 Women' so the rob: Housework	90
3.6 Oaxaca-Blinder decomposition methodology	94
	98
3.7 Econometric methodology	
5.1 Racial inequality and social spending: Evidence from the United States and Europe	128
5.2 Clientelism and the underprovision of public services in the Dominican Republic	131
5.3 Are there political and social reasons for the contrast between Latin America and East Asia?	133
5.4 Political agency and the potencial for redistributive strategy in rich countries: Lessons from the OECD	135
5.5 Increased equity through taxation and social spending in a democratic Chile.	136

5.6 Failed redistributive efforts in a fragmented democracy: Social security reforms in Brazil	138
5.7 Neopopulism and policies on social funds in Peru	139
5.8 Transition at the sectoral level? Mexico's targeted antipoverty programs	141
5.9 Popular budgeting in Porto Alegre: Explaining a transition to a new political equilibrium	142
5.10 Local contexts and the transition from clientelism: Ibagué versus Pasto.	144
<b>Chapter 6</b>	
6.1 Schematic representation of household income determination	150
<b>Chapter 7</b>	
7.1 Business elites and the fear of education: Is there a low-road trap? Evidence from northeastern Brazil and the southern United States	186
7.2 Bilingual education: Preserving cultural heritage without being left behind	188
7.3 The poverty reduction potential of and in rural Mexico	193
<b>Chapter 8</b>	
8.1 Alternative views on the potential impact of market-oriented reforms and inequality	219
8.2 The evolution of small-scale firms in the "Third Italy"	225
8.3 Unions, firms, and the expansion of high-value export crops in Petrolina- Juazeiro in northeastern Brazil	228
8.4 Institutions, macroeconomic policy, and volatility	230
<b>Chapter 9</b>	
9.1 Do tax incidence numbers mean much?	253
9.2 Issues in the valuation of public services	260
9.3 Summarizing benefit incidence using Gini income elasticities (GIE) :	265
<b>Figures</b>	
<b>Summary</b>	
1. Difference in average years of education between top and bottom quintiles for people 31-40 and 51-60, in 2000	3
2. Trends in income inequality in Latin America between the early 1990s and early 2000s	4
3. The elasticity of poverty reduction with respect to growth for different levels' of inequality	4
4. Wages of various groups in relation to the wages of white males.	5
5. Marital sorting and income inequality	6
6. Distribution of mathematics and reading test scores for 15-year-olds in Brazil, Mexico, and OECD countries	8
7. Tax revenue in relation to GDP per capita	12
8. Average and marginal incidence of access to various health services	13
9. Targeting to the poor and reach among the poor for different types of programs in Brazil	14
<b>Chapter 1 .</b>	
(Box 1.1) Inequality of opportunities as a share of total inequality, 1996	20

1.1 A simple conceptual framework	22
1.2 Perceptions of fairness regarding the income distribution in Latin America	22
1.3 Inequality and poverty with a constant mean	26
1.4 Growth elasticities become less negative with inequality	26
<b>Chapter 2</b>	
2.1 Income shares by deciles (household per capita income)	39
2.2 Household per capita income distribution, excluding the richest 1 percent, Mexico, 2000	40
2.3 Equivalized household income	41
2.4 Indices of aggregate welfare for Argentina under alternative assumptions of a society's aversion to inequality	47
2.5 Brazil's consumption inequality in international perspective	49
2.6 Distribution of household per capita income, per region, 1990s	54
2.7 Difference in average years of education between top and bottom quintiles, per country	58
2.8 Hourly wage gap between skilled and unskilled workers, mea agro 25 to 55	60
2.9 Hourly wage gap between semi-skilled and unskilled workers, mea aged 25 to 55	61
2.10 Increase in hourly wages for college-educated workers, mea aged 25 to 55	61
2.11 Labor market outcomes by gender	62
2.12 Ratio of number of children under age 12 years of age per household between bottom and top quintiles	65
2.13 School enrollment rates by age and country	68
2.14 Gaps in access to services, by country	72
<b>Chapter 3</b>	
(Box3.1) The changing ethnic composition of the Americas	79
3.1 Completed primary education or less, by race, ethnicity, and gender ,	86
3.2 Proportion of workers in service or managerial occupations, by group and country	89
3.3 Wage gaps by race/ ethnicity and gender	92
3.4 Urban gender wage gap-ratio of women's hourly wages to men's hourly wages	93
(Box 3.7) a. Nonindigenous male vs. American Indian male (simulating earnings regression coefficients)	99
(Box 3.7) b. Nonindigenous male vs. American Indian male (simulating only education)	100
(Box 3.7) c. Nonindigenous male vs. American Indian male (simulating both a and b)	100
3.5 Actual and simulated earnings distributions for white and indigenous mea in Bolivia.	102
3.6 Actual and simulated earnings distributions for Indo-Guyanese mea and women	103

<b>Chapter 5</b>	
5.1 The syndrome of weak and unequal states: correlations between the rule of law and development outcomes	124
5.2 Political financing and its impact, by type	128
5.3 Impact of bribes in shaping policy, according to a survey affirms by a recipient group, Peru, 2001	129
5.4 The rise and falloff the labor share in Argentina	132
<b>Chapter 6</b>	
6.1 Income and education inequalities across countries	152
6.2 Lorenz curves of years of schooling, selected countries	153
6.3 Difference in mean incomes per hundredth of the mean-normalized distribution: U.S.-Brazil and U.S.-Brazil (with U.S. conditional distribution of education)	156
6.4 Income and landing equality across countries	157
6.5 Labor force participation and inequality across countries	159
6.6 Unemployment and inequality across countries	159
6.7 Informality and inequality across countries	160
6.8 Returns on schooling and inequality across countries	162
6.9 Distribution of and returns on education explain some of the differences between income distributions	163
6.10 Marital sorting and inequality across countries	165
6.11 Youth dependency and inequality across countries	166
6.12 Old-age dependency and inequality across countries :	167
6.13 The role of reproductive behavior in accounting for differences in income distribution between Brazil and the United States	168
6.14 Total OpubliCs pending and in come inequality	168
6.15 Public expenditure on primary education and income inequality	169
6.16 Public income transfers to households and income inequality	169
6.17 U.S.-Brazil differences, actual. and simulated including non labor incomes and reweigh ting	170
6.18 Retirement income as a share of total household income, Brazil and the United States	171
6.19 Non labor incomes account for some of the differences between Italian and Chilean income distributions	172
<b>Chapter 7</b>	
7.1 The long chain of interactions from unequal schooling to more equal outcomes	178
7.2 Education dynamics in selected countries; years of schooling of mea and women by age group	179
7.3 Years of schooling by cohort for blacks and whites in Brazil and South Africa	181
7.4 Spending by education level in Chile, Mexico, and Brazil	185
7.5 Polarization and property rights across countries	190
(Box 7.3) The marginal welfare impact of increased land	193
(Box 7.3)a. The welfare impact of land assets and interactions with	194

education	
(Box 7.3)b. The welfare impact of land assets and interactions with indignity	194
(Box 7.3) c. The welfare impact of land assets and interactions with road access	194
(7.6 Land inequality and growth, 1970-99	195
7.7 Property taxation as a share of GDP in Latin America and other countries	203
7.8 Public and private investment in selected infrastructure sectors in Latin America, 1980-98	208
7.9 Increases in access to infrastructure, by income decile in Argentina and Nicaragua.	209
7.10 Views on privatization in Latin America at different points in time.	210
<b>Chapter 8</b>	
8.1 The extent of policy reforms in Latin America, with country and policy variations	218
8.2 Correlation between changes in reform and changes in income inequality	220
8.3 Crony bias versus democratic voice and accountability	223
8.4 Tax complice versus crony bias.	224
8.5 Labor market rigidity and informality	227
8.6 The association between macroeconomic volatility and measures of institutional conditions	229
8.7 The evolution of the labor share in Chile, Mexico, and Peru	235
8.8 Cumulative percentage change in time deposits (by residence and size) in Argentina.	238
8.9 The evolution of foreign asset holdings in Argentina	238
<b>Chapter 9</b>	
9.1 Highest personal and enterprise income tax rates in Latin America	250
9.2 Value-added tax rate (in Latin America)	251
9.3 Unweighted average of tax revenue and taxes per category in Latin America	252
9.4 A simple cross-country regression of total tax revenues against log GDP per capita	253
9.5 The relationship between personal income taxes and income	257
9.6 Public social spending in Latin America: expenditures per capita, as share of public spending and GDP, 1990s	258
9.7 Average and marginal access incidence for various health services	262
9.8 Average and marginal benefit incidence for access to water in Latin America	262
9.9 Concentration coefficients for public social spending, Mexico 2000	264
9.10 Targeting, coverage of the poor, and spending on various programs, Brazil 1997	266
9.11 Ratio of income of the 1st to 5th income quintiles, with and without public transfers, Chile, 1990-1998	267
9.12 Total social security expenditure	270
<b>Tables</b>	

Summary	
I. Indicators of inequality for selected Latin American countries, the United Stat and Italy	2
<b>Chapter 1</b>	27
1.1 Theoretical elasticities of poverty with respect to aggregate in come growth	
<b>Chapter 2</b>	55
2.1 Gini coefficients of the distribution of household per capita income: Common sample countries, decadal averages by region	
2.2 Distribution of household per capita income, 1992 (income shares by deciles and vintiles)	56
2.3 Distribution of household per capita income, 1990s (quintiles)	57
<b>Chapter 3</b>	
3.1 Distribution of Afro-descended, indigenous, and female populations in the Americas and the Caribbean, various years (percent)	78
3.2 Interviewer perception versus self-perception of race-Brazil, 1997 (percent)	83
3.3 Interviewer versus self-perception of ethnicity-Peru, 2000 (percent)	83
(Box3.4) Labor market outcomes for different groups	85
3.4 Ratio of female to male educational attainment and literacy	86
3.5 Difference in the probability of being in each sector, by race and by gender (percent)	87
3.6 Share of sector that is female(percent)	88
3.7 Occupation al distribution, by gender	88
88 (Box 3.5) Average weekly hours spent on housework, by household member	90
3.8 Asset ownership, by race, ethnicity, and gender(percent)	91
3.9 Access to services by race, ethnicity, and gender (percent)	91
3.10 Decomposition of group mean log wage differentials	94
3.11 Within-group inequality share (for distributions of labor income)	95
3.12 The linden decompositions(for hourly wages)	96
3.13 Individual earnings and inequality measures, based on actual and simulated earnings within racial and gender groups	97
<b>Chapter 4</b>	
4.1 The distribution and composition of the population in New World economies (percent)	111
4.2 Laws governing the franchise and the extent of voting in selected countries,1840-1940	114
4.3 Literacy rates in the Americas, 1850-1950	116
4.4 Land ownership rates in rural regions of Mexico, the United States, Canada, and Argentina in the early1 900s(percent)	119
<b>Chapter 6</b>	
6.1 Variation in student performance in PISA 2000 examinations	155
6.2 Wage, work, and self-employment in selected countries, 1995	161

<b>Chapter 7</b>	
7.1 Years of education by income quintile for Brazil and Jamaica, men and women age 21-30	180
7.2 Mathematics test results for Brazilian students who identify themselves as black or of mixed blood, compared with white	182
7.3 Schools account for only a small part of variance in student learning outcomes	183
7.4 Gini coefficients for the distribution of operational holdings of agricultural land across regions	191
7.5 Gini coefficients for the distribution of operational holdings of agricultural land in Latin American countries	191
7.6 Selected land reforms in Latin America in the 20th century	195
7.7 Distribution of housing wealth Brazil, Chile, and Peru	201
7.8 Access to selected services for top and bottom quintiles, selected countries (percent)	204
7.9 Enterprise profitability and access to infrastructure in Guatemala (net income of owner in quetzals per-worker hour)	205
7.10 Price changes after privatization	211
<b>Chapter 8</b>	
8.1 Effects of policy reforms on inequality: Estimates from three studies	211
8.2 Changes in real per capita income across the income distribution in Mexico, 1992-2000	232
8.3 Financial income during the 1994-96 crisis in Mexico	233
8.4 Total fiscal costs of selected banking crises	236
<b>Chapter 9</b>	
9.1 Income inequality before and after taxes and transfers in selected industrialized countries	248
9.2 Typology of Latin American countries by fiscal position and social spending, 1998	248
9.3 Tax structure in the 1990s, Latin America and developed countries (in percent of GDP, consolidated central government)	252
9.4 Tax incidence studies for Latin American countries, 1975-98	255
9.5 Increase in social spending with and without social security, ECLAC and IMF databases	259
9.6 Synthesis of case studies using estimates of the Gini income elasticity (GIE)	264
9.7 Social security expenditures around the world, as percentage of GDP	269
9.8 Social security expenditures in Latin America and the Caribbean, as percentage of GDP	271
9.9 Distribution of government expenditures on pensions and unemployment insurance in Brazil by quintile (percent)	271
9.10 Conditional cash transfers: comparison of program sizes	273
9.11 Benefit structure of ProgresA, July-December 1999 (pesos/month)	275
9.12 Cumulative distribution of beneficiaries across national consumption deciles, in percent	277



