



# POVERTY AND INEQUALITY BULLETIN

This series provides a reading list of the most recent research in the area of inequality and poverty reduction. The purpose of this note is to globally disseminate relevant work among academics, practitioners and civil society. Subscribe at [nip.bulletin@gmail.com](mailto:nip.bulletin@gmail.com).

## Monetary Transfers for Children and Adolescents in Argentina: Characteristics and Coverage of a “System” with Three Components

*By Fabio Bertranou and Roxana Maurizio*



[Web link for this reading](#)

This paper analyses the incidence of the three programmes that give benefits to families with children in Argentina: the income tax deduction per child, the contributory family allowance and the Universal Child Allowance. The latter was established in 2009 and took on the role previously paid by the Heads of Household and the Families programme (Plan Jefes y Jefas y el Plan Familias). This programme faces a number of challenges. For Bertranou and Maurizio closing the gaps in coverage and to having a unified system for the child-related transfers as part of a broader policy for children and teenagers is essential (click [here](#) for the Spanish version)

**Keywords:** monetary transfers, children, Argentina

## The Expansion of Non-Contributory Transfer in Uruguay

*By Verónica Amarante and Andrea Vigorito*



[Web link for this reading](#)

This paper describes the implementation of the National Assistance Plan of Social Emergency (Plan de Atención Nacional a la Emergencia Social, PANES) between 2005 and 2007 and summarize its socioeconomic impacts. They also analyse the transition from PANES to Plan Equidad (Equity Plan), placing particular emphasis on the reform of Family Allowances (AFAM) that unifies the targeted two-tier system (social security versus social assistance) for the provision of cash benefits to households with children. The results show a substantial increase of coverage, especially for those at the lower end of the income distribution (

click [here](#) for the Spanish version).

**Keywords:** non-contributory transfer, Uruguay

## The Gorbachev Anti-Alcohol Campaign and Russia's Mortality Crisis

*By Jay Bhattacharya, Christina Gathmann, Grant Miller*



[Web link for this reading](#)

Political and economic transition is often blamed for Russia's 40% surge in deaths between 1990 and 1994 (the "Russian Mortality Crisis"). Highlighting that increases in mortality occurred primarily among alcohol related causes and among working-age men (the heaviest drinkers), this paper investigates an alternative explanation: the demise of the 1985-1988 Gorbachev Anti-Alcohol Campaign. We use archival sources to build a new oblast-year data set spanning 1970-2000 and find that: (1) The campaign was associated with substantially fewer campaign year deaths, (2) Oblasts with larger reductions in alcohol consumption and mortality during the campaign experienced larger transition era increases, and (3) Other former Soviet states and Eastern European countries exhibit similar mortality patterns commensurate with their campaign exposure. The campaign's end explains a large share of the mortality crisis, suggesting that Russia's transition to capitalism and democracy was not as lethal as commonly suggested.

**Keywords:** anti alcohol campaign, Russia, mortality crisis

## Working Time Preferences, Hours Mismatch and Well-Being of Couples: Are There Spillovers?

*By Christoph Wunder, Guido Heineck:*



[Web link for this reading](#)

We analyze how well-being is related to working time preferences and hours mismatch. Self-reported measures of life satisfaction are used as an empirical approximation of true wellbeing. Our results indicate that well-being is generally lower among workers with working time mismatch. Particularly underemployment is detrimental for well-being. We further provide first evidence on spillovers from the partner's working time mismatch. However, the spillover becomes insignificant once we control for the partner's well-being. This suggests that well-being is contagious, and the spillover is due to interdependent utilities. Females experience the highest well-being when their partner is working full-time hours. Male wellbeing is unaffected over a wide interval of the partner's working hours.

**Keywords:** working time preferences, well being

## Healthy Habits: The Connection between Diet, Exercise, and Locus of Control

By Deborah A. Cobb-Clark, Sonja C. Kassenböhmer, Stefanie Schurer:



[Web link for this reading](#)

This paper analyzes the relationship between individuals' locus of control and their decisions to exercise regularly, eat well, drink moderately, and avoid tobacco. Our primary goal is to assess the relative importance of the alternative pathways that potentially link locus of control to healthy habits. We find that individuals with an internal locus of control are more likely to eat well and exercise regularly. This link cannot be explained by the extent to which they are future-orientated and value their health, however. There are important gender differences in explaining the link between perceptions of control and healthy habits. Men with an internal locus of control expect to have higher health returns to their investments in diet and exercise. In contrast, women with an internal locus of control maintain healthy habits because they derive greater satisfaction from those activities than women with external control tendencies.

**Keywords:** healthy habits, diet, exercises

## Equalizing Outcomes vs. Equalizing Opportunities: Optimal Taxation When Children's Abilities Depend on Parents

By ALEXANDER GELBER, MATTHEW WEINZIERL



[Web link for this reading](#)

Empirical research suggests that parents' economic resources affect their children's future earnings abilities. Optimal tax policy, defined as the policy that maximizes the aggregate present-value dynastic utility of existing families, therefore will treat future ability distributions as endogenous to current taxes. We model this endogeneity, calibrate the model to match estimates of the intergenerational transmission of earnings ability in the United States, and use the model to simulate such an optimal policy numerically. The optimal policy in this context is more redistributive toward low-income parents than existing U.S. tax policy. It also increases the probability that low-income children move up the economic ladder, generating a present-value welfare gain of 1.28% of consumption in our baseline case.

**Keywords:** equalizing outcomes, opportunities, taxation, children

## The Trend is the Cycle: Job Polarization and Jobless Recoveries

By NIR JAIMOVICH, HENRY SIU



[Web link for this reading](#)

Job polarization refers to the recent disappearance of employment in occupations in the middle of the skill distribution. Jobless recoveries refers to the slow rebound in aggregate employment following recent recessions, despite recoveries in aggregate output. We show how these two phenomena are related. First, job polarization is not a gradual process; essentially all of the job loss in middle-skill occupations occurs in economic downturns. Second, jobless recoveries in the aggregate are accounted for by jobless recoveries in the middle-skill occupations that are disappearing.

**Keywords:** trend, cycles, polarization, job

## MULTIMEDIA

### Roger Noll on the Economics of Sports



[Web link for this reading](#)

[Roger Noll](#) of Stanford University talks with EconTalk host [Russ Roberts](#) about the economics of sports. Noll discusses the economic effects of stadium subsidies, the labor market for athletes, the business side of college sports, competitive balance in sports leagues, safety in sports, performance-enhancing drugs, and how the role of sports in the lives of children has changed.

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**About this week's guest:**

- [Roger Noll's Home page](#)

**About ideas and people mentioned in this podcast:**

**Articles:**

- ["The Baseball Player's Labor Market,"](#) by Simon Rottenberg, *Journal of Political Economy*, June 1956.
- ["The Puzzling Economics of Sports"](#), by Allen R. Sanderson. *Concise Encyclopedia of Economics*. May 2004, Library of Economics and Liberty.
- [Sports](#), by Gerald W. Scully. *Concise Encyclopedia of Economics*.
- [Sportometrics](#), by Robert Tollison. *Concise Encyclopedia of Economics*.

**Podcasts and Blogs:**

- [Coase on Externalities, the Firm, and the State of Economics](#). EconTalk podcast.
- [Bruce Yandle on Bootleggers and Baptists](#). EconTalk podcast.
- [Peltzman on Regulation](#). EconTalk podcast.
- [Michael Lewis on the Hidden Economics of Baseball and Football](#). EconTalk podcast.

[De Vany on Steroids, Baseball, and Evolutionary Fitness](#)

Source: EconTalk

### Stiglitz on Inequality



[Web link for this reading](#)

Nobel Laureate [Joseph Stiglitz](#) of Columbia University talks with EconTalk host [Russ Roberts](#) about the ideas in his recent book, *The Price of Inequality*. Stiglitz argues that the American economy is

dysfunctional, benefitting only those at the very top while the bulk of the workforce sees little or no gain in their standard of living over recent decades. Stiglitz blames this result on deregulation and the political power of the financial sector and others at the top. He wants an increase in regulation and the role of government in the economy and a more transparent Federal Reserve Bank that he blames for coddling the financial sector. The conversation also includes a discussion of the Keynesian multiplier.

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**About this week's guest:**

- [Joseph Stiglitz's Home page](#)

**About ideas and people mentioned in this podcast:**

**Books:**

- [The Price of Inequality: How Today's Divided Society Endangers Our Future](#), by Joseph Stiglitz at Amazon.com.

[The Theory of Moral Sentiments](#), by Adam

**Articles:**

- [Annual Government Employment](#) (includes Federal). FTP of txt file. Bureau of Labor Statistics.
- [Joseph E. Stiglitz](#). Biography. *Concise Encyclopedia of Economics*.
- [Rent Seeking](#), by David R. Henderson. *Concise Encyclopedia of Economics*.

[Corporate Governance](#), by Randall S.

Source: EconTalk

## Zingales on Capitalism and Crony Capitalism



[Web link for this reading](#)

[Luigi Zingales](#) of the University of Chicago and author of *A Capitalism for the People* talks with EconTalk host [Russ Roberts](#) about the ideas in his book. Zingales argues that the financial sector has used its political power to enhance the size of the sector and the compensations executives receive. This is symptomatic of a larger problem where special interests steer resources and favors based on their political influence. Zingales argues for a capitalism for the people rather than a capitalism for cronies or the politically powerful. The conversation concludes with a plea by Zingales to his fellow economists to speak out against behavior that is legal but immoral--lobbying Congress for special treatment that exploits others to benefit one's own industry, for example.

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**About this week's guest:**

- [Luigi Zingales's Home page](#)

**About ideas and people mentioned in this podcast:**

**Books:**

- [A Capitalism for the People: Recapturing the Lost Genius of American Prosperity](#), by Luigi Zingales at Amazon.com.

**Articles:**

- [Political Behavior](#), by Richard L. Stroup. *Concise Encyclopedia of Economics*.
- [Financial Regulation](#), by Bert Ely. *Concise Encyclopedia of Economics*.
- [Bankruptcy](#), by Todd J. Zywicki. *Concise Encyclopedia of Economics*.
- [Productivity](#), by Alexander J. Field. *Concise Encyclopedia of Economics*.
- [Consumer Price Indexes](#), by Michael J. Boskin. *Concise Encyclopedia of Economics*.

Source: EconTalk

## CAFE MONTEVIDEO

### "Can't We All Be More Like Scandinavians? Asymmetric Growth and Institutions in an Interdependent World"

By DARON ACEMOGLU, JAMES A. ROBINSON, THIERRY VERDIER



[Web link for this reading](#)

Because of their more limited inequality and more comprehensive social welfare systems, many perceive average welfare to be higher in Scandinavian societies than in the United States. Why then does the United States not adopt Scandinavian-style institutions? More generally, in an interdependent world, would we expect all countries to adopt the same institutions? To provide theoretical answers to this question, we develop a simple model of economic growth in a world in which all countries benefit and potentially contribute to advances in the world technology frontier. A greater gap of incomes between successful and unsuccessful entrepreneurs (thus greater inequality) increases entrepreneurial effort and hence a country's contribution to the world technology frontier. We show that, under plausible assumptions, the world equilibrium is asymmetric: some countries will opt for a type of "cutthroat" capitalism that generates greater inequality and more innovation and will become the technology leaders, while others will free-ride

on the cutthroat incentives of the leaders and choose a more cuddly form of capitalism. Paradoxically, those with cuddly reward structures, though poorer, may have higher welfare than cutthroat capitalists; but in the world equilibrium, it is not a best response for the cutthroat capitalists to switch to a more cuddly form of capitalism. We also show that domestic constraints from social democratic parties or unions may be beneficial for a country because they prevent cutthroat capitalism domestically, instead inducing other countries to play this role.

**Keywords:** growth, institutions

## "Role of Production Networks in Sustaining and Rebalancing Asia's Growth"

By *WILLEM THORBECKE, BISWA N. BHATTACHARYAY,*



[Web link for this reading](#)

In last few decades, Asian production networks have contributed significantly toward the rapid trade expansion and economic growth in East Asia. Developed Asia produces technology-intensive intermediate goods and capital goods and ships them to the People Republic of China (PRC) and ASEAN for assembly by lower-skilled workers. The finished products are then exported to the US, Japan, Europe, and other countries. In view of ongoing global financial crisis and European debt crisis, the ability of the rest of the world to absorb Asia's exports has decreased. Export production in some Asian countries has also been subsidized by artificially low prices for labor, land, and energy, and by lax enforcement of environmental regulations. Asian economies should thus rebalance away from relying too much on exporting subsidized goods to developed economies. On the supply side, the best way to rebalance growth is to increase productivity in order to raise wage rates and living standards. This can be done by leveraging production networks to graduate to higher value-added, knowledge-intensive activities. On the demand side, producers in the region should turn to Asian consumers as an engine of growth. This can be facilitated by improving connectivity through increased investment in connecting infrastructure such as transport and telecommunications; and by implementing a region-wide FTA. This paper addresses these issues by providing an analytic description of production networks in Asia. It then discusses how developing Asian countries could leverage production networks to facilitate technology transfer to domestic firms and how a regional FTA could bring Asian producers and consumers together. Finally, it considers how infrastructure investment in large and connecting projects could help to rebalance and sustain growth in the region through increased connectivity and reducing trade costs.

**Keywords:** growth, production networks

## Subcontracting and the Size and Composition of the Informal Sector: Evidence from Indian Manufacturing

By *Ana Isabel Moreno-Monroy, Janneke Pieters, Abdul Azeez Erumban:*



[Web link for this reading](#)

This paper analyzes the relationship between formal sector subcontracting and the evolution of the

informal sector using nationally representative survey data of Indian manufacturing enterprises for the period 1995-2006. In these years of fast economic growth, subcontracting by formal enterprises gained importance, while the informal sector continued to account for 90 per cent of total manufacturing employment. In order to contrast between a 'modernization' and a 'stagnation' view on formal-informal production linkages, we test whether subcontracting is related to the size of more modern versus more traditional segments of the informal sector. The results show that formal sector subcontracting is positively related to the size of the informal sector only for the most modern informal activities, supporting the view that subcontracting is related to informal sector modernization. We find no support for the claim that the continued expansion of very traditional informal activities is related to increased outsourcing by formal manufacturing enterprises.

**Keywords:** informal sector, manufacturing

## "Entrepreneurship and Urban Growth: An Empirical Assessment with Historical Mines"

By EDWARD L. GLAESER, SARI PEKKALA KERR, WILLIAM R. KERR



[Web link for this reading](#)

Measures of entrepreneurship, such as average establishment size and the prevalence of start-ups, correlate strongly with employment growth across and within metropolitan areas, but the endogeneity of these measures bedevils interpretation. Chinitz (1961) hypothesized that coal mines near Pittsburgh led that city to specialization in industries, like steel, with significant scale economies and that those big firms led to a dearth of entrepreneurial human capital across several generations. We test this idea by looking at the spatial location of past mines across the United States: proximity to historical mining deposits is associated with bigger firms and fewer start-ups in the middle of the 20th century. We use mines as an instrument for our entrepreneurship measures and find a persistent link between entrepreneurship and city employment growth; this connection works primarily through lower employment growth of start-ups in cities that are closer to mines. These effects hold in cold and warm regions alike and in industries that are not directly related to mining, such as trade, finance and services. We use quantile instrumental variable regression techniques and identify mostly homogeneous effects throughout the conditional city growth distribution.

**Keywords:** entrepreneurship, growth, mines

## The Clan and the City: Sustaining Cooperation in China and Europe

By Greif, Avner and Tabellini, Guido



[Web link for this reading](#)

Over the last millennium, the clan and the city have been the locus of cooperation in China and Europe respectively. This paper examines - analytically, historically, and empirically - the cultural, social, and institutional co-evolution that led to this bifurcation. We highlight that groups with which individuals identify are basic units of cooperation. Such groups impact institutional development because intra-group moral commitment reduces enforcement cost implying a comparative advantage in pursuing collective actions. Moral groups perpetuate due to positive

feedbacks between morality, institutions, and the implied pattern of cooperation.

**Keywords:** city, china, Europe

## ***NEWS***

### **Call for papers**

- [Institute of Social and Economic Sciences International Academic Conference](#). Buenos Aires, Argentina, 3-6 February 2013. The deadline for submission is January 3, 2013.
- [Labour Market Transformation and Human Resource Development](#). Kuala Lumpur, Malaysia, 8-9 January 2013. The deadline for submission is November 30, 2012.
- [Cooperation or Conflict? Economics of natural resources and food](#). Wageningen, The Netherlands, 29-31 May 2013. The deadline for submission is December 1, 2012.

### **Economics of Love**

[Economics of Love](#) is a Facebook page on the economics of the family created and edited by Shoshana Grossbard (San Diego State University).

### **Social Capital Gateway**

[Social Capital Gateway](#) is a Facebook page on social capital edited by Fabio Sabatini.

## **LACEA ANNOUNCEMENTS**

**LACEA XVII Annual Meeting** will take place in Lima, Perú on November 1st to 3rd, 2012, and will be hosted by Universidad del Pacífico (UP). [click here](#).

***Economía, the Journal of LACEA*** will hold its 26th Panel Meeting in Lima-Perú on November 2012. For more information [click here](#).

**VoxLACEA** is a portal for research-based policy analysis and commentary by leading scholars on issues relevant to Latin America and the Caribbean. With the support of the Global Development Network, **VoxLACEA** aims to raise the bar of the policy debate in the region by providing an interactive platform for researchers to present their work and to stay up to date on the latest developments and discussions. We encourage you to visit <http://vox.lacea.org/> and become an active participant of this exclusive web forum for Latin America and the Caribbean.

## **CONFERENCES**

- [International Conference on Religious Tourism and Tolerance](#). Konya, Turkey 9-12, May, 2013. The deadline for submission is September 30, 2012.

- [The Political Economy of International Organizations](#). February 7-9, 2013 at the Universities of Mannheim and Heidelberg, Germany. The deadline for submission is September 30, 2012.
- [9th Annual Conference of Asian Law and Economics Association](#). Tokyo, Japan, 14-17 March 2013. The deadline for submission is October 15, 2012.
- [Measuring globalization: an international workshop](#). Maastricht, The Netherlands, 22-23 November 2012. The deadline for submission is October 31, 2012.
- [The Economics of Structural Change: Theory, Institutions and Policies](#). Cambridge, UK, 12-13 September 2012.
- [SEEK Workshop on Corporate Philanthropy](#). Mannheim, Germany, 13-14 September 2012.
- [Workshop on Social Capital and Health](#). Padova, Italy, 4-5 October 2012.
- [24th Annual EALE Conference, 2012/09/20-22, Bonn, Germany](#).

## *LINKS*

- [Population Studies Center \(PSC\) of the University of Pennsylvania \(Penn\)](#)
- [National Poverty Center \(NPC\)](#)
- [CEGA - Center of Evaluation for Global Action](#)
- [The Abdul Latif Jameel Poverty Action Lab](#)
- [Poverty Reduction and Equity](#)
- [Network on Inequality and Poverty](#)
- [BREAD - Bureau for Research and Economic Analysis of Development](#)
- [NYU-Development Research Institute](#)
- [GDN-The Global Development Network](#)
- [IPA-Innovation for Poverty Action](#)
- [VoxLACEA](#)
- [Economics of Love](#)
- [Social Capital Gateway](#)
- [Labour Economics Gateway](#)
- [Granada Lab of Behavioral Economics \(GLOBE\), Universidad de Granada](#)
- [Center for Inter-American Policy and Research \(CIPR\), Tulane University](#)

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Editor

Maximo Rossi

[maximo.rossi@gmail.com](mailto:maximo.rossi@gmail.com)

Department of Economics (dECON), Universidad de la República

Associate Research Fellow, Center for Inter-American Policy and Research (CIPR), Tulane University

[Granada Lab of Behavioral Economics \(GLOBE\)](#), Facultad de Ciencias Económicas y Empresariales (Faculty of Economics and Business), Universidad de Granada.

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