

Book Reviews

Klasen, Stephen and Nowak-Lehmann, Felicitas (eds.) (2009) *Poverty, Inequality, and Policy in Latin America*, MIT Press (Cambridge, MA), vi + 336 pp. £22.95 hbk.

Poverty and inequality are perhaps Latin America's most important and puzzling problems. Ironically, their systematic and modern study is restricted to the last three decades or so, partly because of a chronic lack of consistent and reliable data that limited the work of social scientists. This book contradicts this assumption and provides a good example of not only how much the availability of quality data has improved, but also how it can be used creatively to find answers to many complex questions about why these two evils persist.

This edited volume, resulting from a CESifo specialised seminar, presents eight studies. In this regard, the title of the book is a bit misleading as readers might expect a more balanced and comprehensive study of these topics, which is not the case. Instead, the different chapters use sophisticated data analysis, with highly detailed methodologies, to discuss country cases (with one exception). Moreover, half of the chapters are devoted to Brazil. Part of this bias might be explained by the fact that this country is an emblematic case of stubborn and persistent poverty and inequality, despite recent economic success, and the availability of quality data. This does not mean that each case does not provide valuable information/lessons, but instead that readers interested in a broader and comparative perspective might find their expectations unfulfilled. Also, the quantitative analyses are perhaps more suitable for those pen-in-hand social economists that enjoy dissecting complex models. However, non-specialised audiences should not feel completely discouraged as they could still learn a great deal from the book.

In terms of content, the first chapter explores the colonial origins of inequality, focusing on the issue of land ownership. The arguments are sound and reinforce, in a scientific way, what was already known about a historical dissimilar accumulation of wealth and capital (in the form of land). However, little attention is paid to other potential explanatory factors such as the mercantile character of colonial economies, which valued trade over productivity, and/or a historical urban/rural gap that characterises these ethnically diverse societies.

Book Reviews

The case of Brazil is explored extensively. The first study focuses on the period 1976–1996, and concludes that earning inequalities varied little despite significant changes in educational mobility. The decomposition of data, however, shows that education has had a positive impact on Brazil's younger generations, equalising labour market opportunities. If this is the case, there is optimism for the outcomes of Brazil's emblematic social assistance programme Bolsa Familia, where education is an intrinsic component. The following chapter compares regional race discrimination between the mostly 'black' Northwest and the mainly 'white' Southwest (an approach that evidently fails to capture the complexities of this country's racial intermix). It concludes, as expected, that pre-market human capital differences (related to dissimilar access to education) is largely responsible for wage gap differentials. The other study discusses spatial externalities among Brazilian municipalities (i.e. how much proximity matters). Although a certain degree of convergence would be expected in the form of successful municipalities 'irradiating' good practices to their neighbours, the evidence is contradictory, suggesting that spatial/geographical considerations might be relatively less important than other factors. The final chapter on Brazil analyses the redistributive character of the tax-benefit system. Perhaps the most important (and already suspected) finding is that direct assistance programmes, such as Bolsa Escola, are more effective anti-poverty mechanisms when compared to other redistributive policies.

The other country cases also provide interesting results. The chapter on Peru focuses on 'spatial poverty traps' and concludes that geographic location fails to explain inter-regional inequalities, particularly when compared to other socio-economic factors such as the provision of public goods (including education). The Bolivian case simulates a devaluation policy. The results confirm the idea that countries with partially dollarised economies have little room to use this policy effectively, much less as an anti-poverty mechanism. Finally, the chapter on Mexico assesses this country's well-known Oportunidades programme (which among others provides educational grants) for rural youth. The findings suggest that although schooling rates have increased and poverty has diminished among participants (at least while they receive benefits), the quality of education has not necessarily improved in rural areas, which puts rural students in a disadvantageous position when they reach labour markets, thus potentially perpetuating inequalities.

Those who venture deep into the different chapters will find a rich discussion and illuminating findings, resulting from a meticulous and rigorous scientific analysis, regardless of the predictability of the results. Perhaps the most important theoretical and practical contribution is the validation of the belief that education is one of the most (if not the most) important 'equalising' variable and one that should be translated into sound policies. If Latin American policy-makers started to pay more attention to this type of scientific work, perhaps poverty and inequality could start becoming a thing of the past.

Martin Mendoza-Botelho
Tulane University