

EDITORIAL

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Introduction: Research at the policy frontier in Latin America (Volume II)

Sebastian Galiani*

*Correspondence:
galiani@econ.umd.edu
University of Maryland
and National Bureau
of Economic Research,
College Park, USA

In 2015, we published Volume I of *Research at the Policy Frontier in Latin America* in the *Latin American Economic Review*. To build on the analyses and policy objectives of that issue, we now publish Volume II. The papers in this special issue take stock of the knowledge accumulated in certain areas—anti-poverty programs in the context of informality, crime, gender, urban transport systems, and road safety—and propose the next frontier of research to support enactment of more effective policies going forward that take into account the region's economic and social priorities. Like the previous volume, this one was prepared in collaboration with the Office of Strategic Planning and Development Effectiveness (SPD) of the Inter-American Development Bank (IDB). The work at the IDB was led by Sebastian Martinez in collaboration with Paloma Acevedo.

From a long-term perspective, Latin America and the Caribbean region has benefited from a substantial decrease in the incidence and depth of poverty. However, when compared to other developing regions, Latin America and the Caribbean has performed in line with its peers and experienced declines in poverty that are far from extraordinary. In their paper in this special issue, Martín Caruso Bloeck, Sebastián Galiani, and Federico Weinschelbaum show that the main driver of this decline in poverty has been economic growth—not because reducing inequality unto itself is ineffective, but rather because it has not been consistently achieved over the period studied.

Still, growth is a channel that operates over the long run, and even when it helps to improve the living standards of many poor people, spillovers to all are not straightforward. So, for those for whom improvements are elusive, poverty alleviation in the form of income-support programs is necessary. To assess the effectiveness of income-support programs, Caruso Bloeck, Galiani, and Weinschelbaum built a formal model where workers have opportunities to work in both the formal and informal sectors and examined how means-testing programs compare to proxy-means-testing ones. Because means-testing programs are more flexible, it is possible for them to have a pro-poor design, whereas the pro-poor character of proxy-means-testing programs is constrained by the relation between observable characteristics and poverty. Having said that, actual implementation of means-testing programs may be problematic if there is underreporting of income at the intensive margin. Meanwhile, the relation between observable characteristics and poverty is not stable over time, which may weaken the targeting efficiency of proxy-means-testing programs, and these programs are more distortive in a context where raising revenue for redistribution is necessary. Caruso Bloeck, Galiani,

and Weinschelbaum conclude that it is too early to say that either of these alternatives is clearly superior to the other.

Crime and violence have increased in Latin America and the Caribbean in the last decade despite the decline in poverty and improvements in many socio-economic indicators noted above. Crime and violence generate many distortions in the allocation of private and public resources and engender economic and social costs that hinder development. In Latin America and the Caribbean, which is the most violent region on earth, the costs of crime represent at least 3.5% of regional GDP, twice as much as in developed countries. Despite the magnitude of the security problem, the region is lagging in the production of rigorous research on crime and the application of evidence-based policies to fight and deter crime.

In the second paper of this issue, Laura Jaitman uses the crime economics framework to shed light on the main drivers of crime in the region and assesses policies and strategies to combat crime to identify those that reduce the expected net benefit of committing crimes or increase the net benefit to legal activities. She finds that the region is an outlier in terms of its homicide rate given its level of wealth and inequality. The response to the rise in crime rates has been more public spending on security, mainly police services, and an increase in incarceration. However, the effectiveness of these measures is questionable. The paper shows that the focus should be on crime prevention and deterrence policies, as they are more cost-effective strategies than incarceration, not only because the results of incarceration on recidivism are not clear, but also because crime prevention and deterrence avert all the subsequent spending on apprehension, sentencing, and incarceration. Crime prevention through employment and education increases the expected benefits of legal activities and has brought about good results in other regions. Such prevention should therefore be rigorously implemented in Latin America and the Caribbean, for example, by assessing the effect of optimum curricula and multi-level behavioral interventions to prevent violence in youth at risk. Crime deterrence policies that increase the expected cost of committing crime through more certainty and celerity of sanctions—which in turn comes from better understanding crime patterns to better deploy and train police forces—have shown promising outcomes and are fundamentally important in Latin America and the Caribbean.

In terms of criminal justice, impunity is widespread in Latin America and the Caribbean, as evidenced by widespread inefficiencies in justice systems and high rates of pre-trial detention. A solid body of evidence is needed on the effect of imprisonment, particularly among minors and low-risk individuals, as well as on the use of alternative approaches to prosecution. Finally, Jaitman highlights two key areas for future research and action in crime in the region and globally. The first is to better understand illegal markets and, more broadly, how economic incentives in terms of the returns to illegal activities affect crime. The second is related to the efficiency of public spending on security and in particular on improving policing by identifying the key elements of successful police reforms.

Rapid population growth, urbanization, and the widespread use of motor vehicles have generated large mobility challenges in urban areas of Latin America and the Caribbean. These include high rates of congestion, traffic accidents, and pollution. A significant share of passenger travel in the region's cities is on public transit or shared systems,

so improving urban transport systems presents opportunities to respond to these challenges while also contributing to achieving other socio-economic outcomes.

In their paper, Patricia Yañez-Pagans, Daniel Martinez, Oscar A. Mitnik, Lynn Scholl and Antonia Vazquez summarize the existing knowledge arising from causal studies of the impact of urban transport systems and driving restriction interventions. The evidence on bus rapid transit systems and subways, as well as on driving restrictions, is among the most developed. In contrast, there are still few studies of recent interventions such as traffic network companies or ride-sharing systems. Regarding the main lessons learned about impact, the results of studies on bus rapid transit have been mixed in terms of both prices and land-use changes. In the case of subways and light rail, results seem to be more conclusive, suggesting positive effects on land values. The evidence also indicates that subways may lead the central cores of large cities to spread out by reorganizing activity in the cities. For cable cars, there is evidence that these systems bring travel time savings and thus affect time allocation decisions and employment outcomes. They also seem to contribute to reducing crime in neighborhoods served by these systems.

Regarding driving restrictions, the authors find that existing literature suggests these policies can work for short-term pollution emergencies, but that using driving restrictions as long-term fixes for pollution and congestion must consider behavioral responses by drivers, as they might adopt strategies to circumvent the restriction potentially worsening baseline conditions. Overall, the authors highlight the increasing number of causal evaluations in this area following the significant growth in public and private investments in the sector in response to congestion, pollution, and transport safety problems in many urban areas around the world. But they also note that there are still few causal studies in Latin America and the Caribbean region. They conclude that from an external validity point of view, creating more evidence for the region is essential to guide policy-making and highlight that newly available administrative and big data are bringing new opportunities to understand urban mobility.

An estimated 1.3 million people die in traffic accidents each year worldwide and millions more are injured, with developing countries being disproportionately affected. It is predicted that the number of global traffic deaths will be around 1.8 million annually by 2030, making it the seventh leading cause of death in the world. Sebastian Martinez, Raul Sanchez, and Patricia Yañez-Pagans provide an overview of salient road safety issues in Latin America and the Caribbean and focus on identifying causal literature on three of the five pillars of road safety as identified by the United Nations.

The safer roads and mobility pillar highlights the importance of planning, designing, and building safe infrastructure. The authors point out that the causal literature within this pillar is limited, probably due to the inherent methodological challenges that arise when evaluating infrastructure interventions that are usually not randomly placed. However, they were able to identify some causal studies exploring the effects of modifying certain infrastructure designs within urban areas. In general, they found that urban infrastructure, such as roundabouts, has a favorable effect on traffic safety, at least for crashes causing injuries, but less is known about their safety effects for different types of road users, such as bicyclists or pedestrians. They also identify literature looking at the role of technology, such as speed and red-light cameras and showcasing their positive impact on reducing car crashes.

The safer vehicles pillar seeks to encourage the purchase, operation, and maintenance of safer vehicles. Regarding this pillar, the authors present studies that evaluate the impact of vehicle inspections, vehicle recalls, and fuel economy standards that result in lighter and smaller vehicles and might have an impact on road safety. Here the results are mixed: while some studies have found that vehicle inspection reduced accident rates, others found no significant effect.

The safer road users pillar deals with enforcement and legislation, as well as with awareness campaigns and education programs. This is the area where the authors found the largest amount of evidence, particularly for road safety education programs, including a number of randomized controlled trials. The authors conclude that the evaluation of road safety interventions, particularly those referred to soft components, offers multiple possibilities for experimentation and application of tools in behavioral economics. Given road safety issues in the region, it will be important to continue showcasing the value of building more rigorous causal evidence in this area, but also to consider that in certain circumstances the evaluation will require the use of quasi-experimental designs, based on the characteristics of the intervention.

Gender inequality limits individual choice and reduces economic growth. Although there has been some progress on this issue in Latin America and the Caribbean, the gender gap persists: women work more yet receive less formal compensation or benefits in exchange for it. The average woman in the region works 25 h more per month than the average man, and half the women in the region work for no pay or profit at all.

Rosangela Bando analyzes three specific aspects related to the gender pay gap. There are three ways into which gender pay gaps can be split: the pay/no-pay choice, the occupational choice conditional on receiving pay, and the wage gap conditional on an occupation.

First, Bando argues that men tend to work more than women in paid occupations, while women tend to work in unpaid ones; that when women work for pay, they tend to work in lower-paid occupations relative to men; and that within a specific occupation, women are paid less than men.

Second, the author summarizes the main theories to explain gender gaps in pay: biological predisposition (such as physical strength or hormonal processes) that influences individuals' productivity in certain jobs; social norms (such as stereotypes) and demand that reflect social preferences and influence occupational choice; and technologies (such as the birth control pill) interacting with social norms that mold the opportunities available for women.

Third, Bando reviews different policies to tackle the gender pay gap. She notes that initiatives designed to reduce the cost of motherhood have led to reductions in the gender pay gap and that childcare services, flexible work schedules, maternal health, and technologies such as infant formula have increased female employment in Latin America and the Caribbean.

Finally, the author points out the research challenges in the area of gender inequality. First, since policies affect behavior through several pathways, it is important to understand the roles of those pathways and how they interact to design effective policies. Second, researchers may face challenges in finding men and women with similar characteristics to construct a proper sample, so long-term research may be necessary to

understand a specific intervention net of current differences. Third, gender differences are likely to matter for policy design in distributional features other than the mean.

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