Poverty Traps, Economic Inequality and Delinquent Incentives

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This paper explores the theoretical linkages between poverty traps, economic inequality in a two sector overlapping generations model under perfect competition in which barriers to skilled educational attainment and delinquent incentives interact. We find that the existence of a poverty trap under high economic inequality and costly indivisible human capital investments generate persistent delinquency in the long run. We study technological shocks that increase skilled wages or reduces land for the unskilled. These temporal shocks produce an outburst of delinquency in the short run that die out later on. If the shock is permanent then delinquency increases permanently in the long run. Given that the optimal social level of deliquency is zero we study the trade off between deterrence policies and education based policies to reduce long run persistent delinquency. We find that for higher levels of delinquency education based policies yield a lower trade off between increasing subsidies to invest in human capital for unskilled workers while decreasing the apprehension probability by hirign less policemen.

Fuente: https://www.banrep.gov.co/en/news/events/poverty-traps-economic-inequality-21-july-2010