

How Latin America has blazed a trail by tackling inequality

July 15 2015, by Juan Pablo Ferrero



Brazil's Bolsa Familia has improved the standard of living for millions. Credit: Senado Federal via Wikimedia Commons, CC BY

A recent [OECD report](#) has shown that income inequality has increased in the majority of OECD countries – and in some, at historic speed.

The OECD [countries](#)' wealthiest 10% owns 9.6 times more wealth than the poorest 10%, up from a roughly 7:1 ratio in the 1980s. This represents an increase of 11% in the [Gini Coefficient](#), from 0.29 in 1980 to 0.32 today. The report underscores that the income gap also widened in emerging economies such as China, Russia, Indonesia and South Africa.

Yet the majority of Latin American countries, Brazil in particular, have been reducing income inequality over the past decades – from 0.6 in the mid-1990s to 0.55 – representing an overall improvement of 8%.

Latin America is not the world's poorest region, but it has long been one of its most unequal, so it's worth asking how it managed to buck what's become a global trend. The answer is that after they were laid low by economic collapse, many Latin American countries managed to radically redraw the boundaries of political and economic possibility to turn themselves around.

Growing the middle

Years before the banking collapse in 2008, much of Latin America was embroiled in a cataclysmic "debt crisis" of its own. But whereas much of Europe has tried to deal with the post-2008 crisis by rolling back the boundaries and spending of states, Latin American countries responded to their debt crisis by steering away from neoliberal orthodoxy – albeit in different ways across different countries.

But Latin America's performance in social indicators has not been as consistent as all that, which makes it hard to pin their progress on the global economy. Poverty, for example, has [decreased](#) across the region due to favourable conditions in global trading, including the rise of China, which boosted Latin American economies by pushing commodity prices up. Although the argument is valid to explain a common regional

trend with regards to economic growth and general poverty reduction, it is less so to explain improvements in inequality levels, which have been rather more uneven across countries. As a [UN report](#) put it:

In some countries reduction in inequality began to pick up speed in 2008, especially in the Plurinational State of Bolivia, Uruguay, Argentina, Brazil, Mexico and Colombia. Of these countries, three (the Plurinational State of Bolivia, Argentina and Brazil) also saw striking improvements in inequality reduction in 2002-2008.

The data in the [recent report](#) also shows a downward trend in "income bipolarisation", an indicator used to measure the size of a country's middle class (the larger the bipolarisation figure, the smaller the "middle" is). Among the countries with the most significant improvements were Argentina, Uruguay and Brazil – all of whom have spent much of the 21st century governed by left-wing governments and coalitions. Many of these governments originated in mass mobilisation and social protest movements, successful political uprisings that reworked the "common sense" assumptions on which their states and economies were run.

One of the reasons inequality widened in Europe but narrowed in Latin America is that the latter's politics have undergone a major transition, which some have called [a move to the left](#) – and which is only in its embryonic stages in most of Europe, if it is even happening outside of a few countries.

In much of Latin America, the results are very visible. Public policies such as Brazil's [Bolsa Familia](#), which establishes a minimum income for households with children, lifted millions of Brazilians out of poverty and improved the standard of living for tens of millions more. As a consequence, poor people suddenly had access to shopping centres and holidays.

[Alfredo Saad-Filho](#) rightly points out that some of these aspirations are not necessarily to be praised, since they are socially undesirable, economically destabilising and environmentally unsustainable, or because they still support large capital.

Nonetheless, something fundamental has changed in Latin America which explains the difference with Europe: the function of the state.

Phase change

As most Latin American countries (Mexico being a conspicuous exception) emerged from their debt crises, they set about dismantling the neoliberal orthodoxy that had held sway over their states and economies for decades. The result was a "[redistributive state](#)" – a "class compromise" between capital and labour that is now starting to bring down outrageous levels of [income inequality](#). This is only possible because the dominant "common sense" has been changed, and the policies of governments along with it.

Even leaving aside extreme cases such as Venezuela, Latin America's pioneering leftists are of course due some criticism. Their policies against [inequality](#) remain fairly limited and fundamentally capitalist, since they are still driven by the imperative to bring people into the labour market and turn them into consumers.

Nonetheless, Latin America's 1990s protest movement fundamentally changed the game. The protests against neoliberalism didn't stop at expressing outrage; what were originally anti-political movements took on clear political identities ([Kirchnerista](#), [Petista](#), [Chavista](#), and so on), which in turn opened up space for new policies that would once have been downright transgressive.

This is the biggest lesson leftist movements and parties around the world

can draw from the Latin American experience. If their politics simply reject an elitist status quo, they will make little impact; they have to clearly articulate alternative political projects and, if necessary, become strong enough political movements to implement them themselves.

Although their rise is a promising sign, it is still too soon to gauge the true impact of the left-wing movements-turned-parties in Spain and Greece (and especially the latter). But to appreciate the important strides they have made so far and to imagine where they really could go, just take a look at Latin America's complicated but nonetheless remarkable trailblazers.

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