ECLAC NOTES

Antonio Prado, ECLAC's Deputy Executive Secretary:

Latin America, between the Culture of Equality and Privilege

Photo: Lorenzo Moscia/ECLAC

With the global crisis, the region's governments had the choice of adopting the recipes recommended by neoliberalism or of following a path that would not transfer its costs to the most vulnerable segments of the population. They correctly chose to take countercyclical, Keynesian measures and keep their economies growing.

In the first decades of the 21st century, Latin America seems to be opting for a path that acknowledges that its history of systematic exclusion undermines the social fabric and stunts democracy in a permanent way.

Qualitative research reveals that the population feels that social injustice continues to run through the veins of our countries. There is a recognition that the culture of privilege still wins out, despite the battle being waged to build a culture of equality.

Policies in favor of equality irritate those who built mountains of wealth for themselves with no thought given to public benefits and those who forged their social identity with a cognitive dissonance that denies that squalor is morally unacceptable in civilized societies.

They attribute squalor to a roll of the dice or to a handful of lazy individuals, and never see it as the result of deep structural problems and the absence of social policies.

The wealthy creditors who receive billions from the Treasury without working are the object of less criticism than those who live in extreme poverty and receive through social programs ten times fewer resources from the public budget-if those creditors are even criticized.

That is the challenge the region faces: how to strengthen what was built to date to benefit the millions of Latin Americans that are still poor. In 2013, 27.9% of the nearly 600 million inhabitants of this rich region lived in poverty. The 70 million people that climbed out of poverty in recent years remain vulnerable and face the risk of falling back into that state if social inclusion policies are dismantled by fans of the free market.

We went through a difficult test with the U.S. subprime crisis that started in 2007 and exploded in 2008 with the serial collapse of big institutions after Lehman Brothers investment bank went bankrupt.

The region, which had been growing on average at twice the rate seen in the lost decade of the 1980s and the lost half-decade during the second half of the 1990s, was threatened by the biggest global wave of depression since the 1930s.

Governments had the choice of adopting the recipes recommended by neoliberalism, both those of the 1980s and those of the Washington Consensus in the 1990s, or of following a path that would not transfer the costs of the global crisis to the countries' most vulnerable sectors: workers, retirees, pensioners and indigents.

Governments correctly chose to follow countercyclical, Keynesian measures and keep their economies growing.

It was an extraordinary decision, given that it enabled a fast recovery after the 2009 recession. It prevented the growth of poverty and squalor and recovered employment levels quickly.

Governments decided to stimulate the economy through different means, monetary and fiscal, unlike the structural adjustments imposed by neoliberalism (hegemonic in previous decades), which included interest rate hikes and heavy public spending cuts-mainly on social programs and investment-that resulted in greater unemployment and poverty.

This is not a trivial matter since the adjustments made in the 1980s affected poverty rates to the point where it took 25 years, until 2005, for them to regain lost ground and return to prior levels.

The efforts to keep the international crisis far from our labor markets and from our poorest people yielded significant results.

While job creation fell and unemployment rates, mainly among young people, rose in developed countries (the United States and the European Union), in Latin America jobs continued to be created and the unemployment rate fell to 6.4%, below the level seen in the two years prior to the financial crisis.

Poverty, which was 33.5% in 2008, reached 28.2% in 2012, after surging to 43.9% in 2002.

Brazil was one of the leaders in this process of poverty reduction. In fact, while poverty fell to 18.6% in 2012 from 37.8% in 2002 (a reduction of over 50%), in Latin America and the Caribbean as a whole the decline was closer to 36%.

It is important to note that inequality reduction in this period shows a more discreet downward curve, which is explained by the great structural heterogeneity present in Brazil and the entire region-something that will only be overcome with deep structural changes in the productive structure and through long-lasting, suitable public policies.

Note: The poverty and distribution figures were produced by ECLAC and are different from the countries' official data.