

# Inequality and Poverty in LA

## A 30-year Bird's Eye View

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Sol Linowitz Forum

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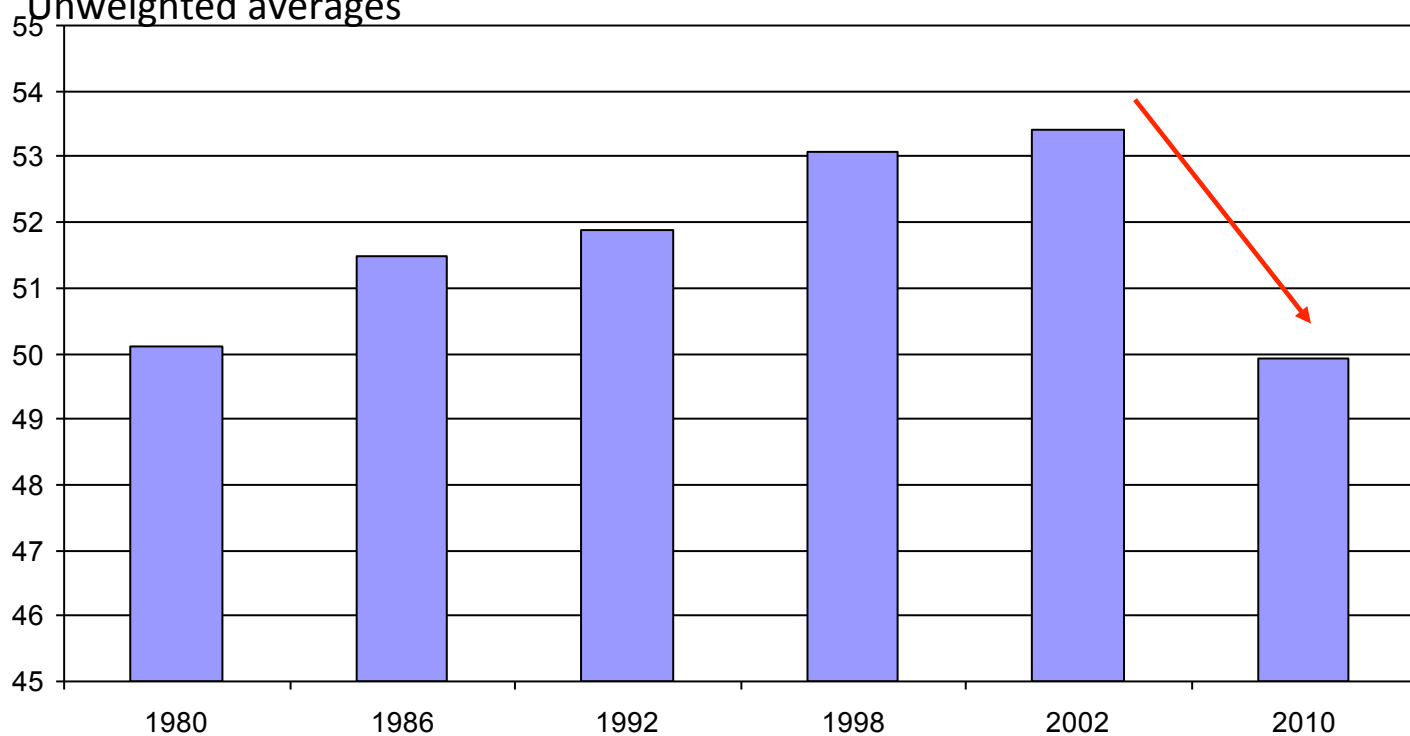
# Inequality in 30 Years

- Inequality and poverty rose in the lost decade of the 1980s
- Inequality rose and poverty stagnated during market-oriented reforms of the 1990s
- Inequality and poverty declined in the 2000s throughout the region

# Inequality in 30 Years

## Gini coefficient – Household per capita income

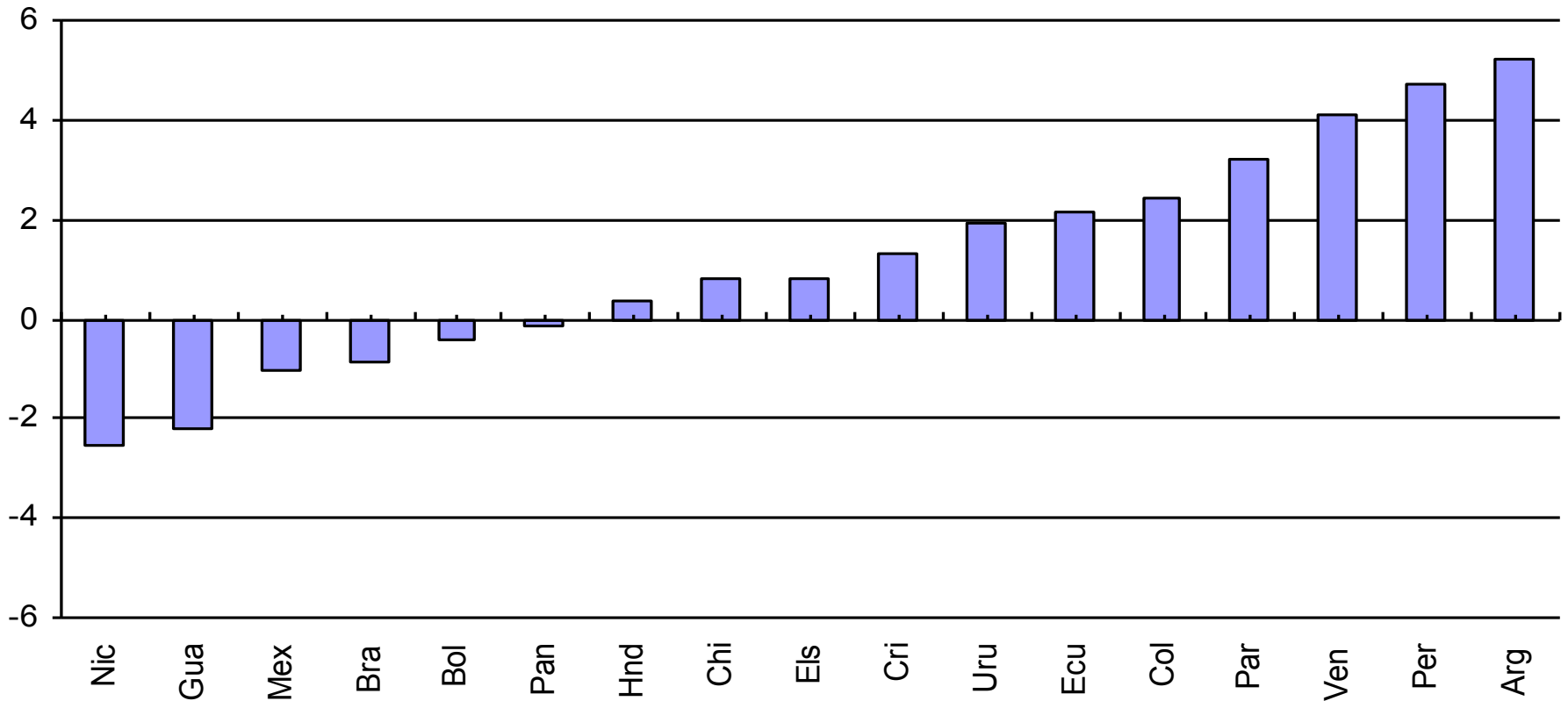
Unweighted averages



Source: own estimates based on SEDLAC (CEDLAS and World Bank).

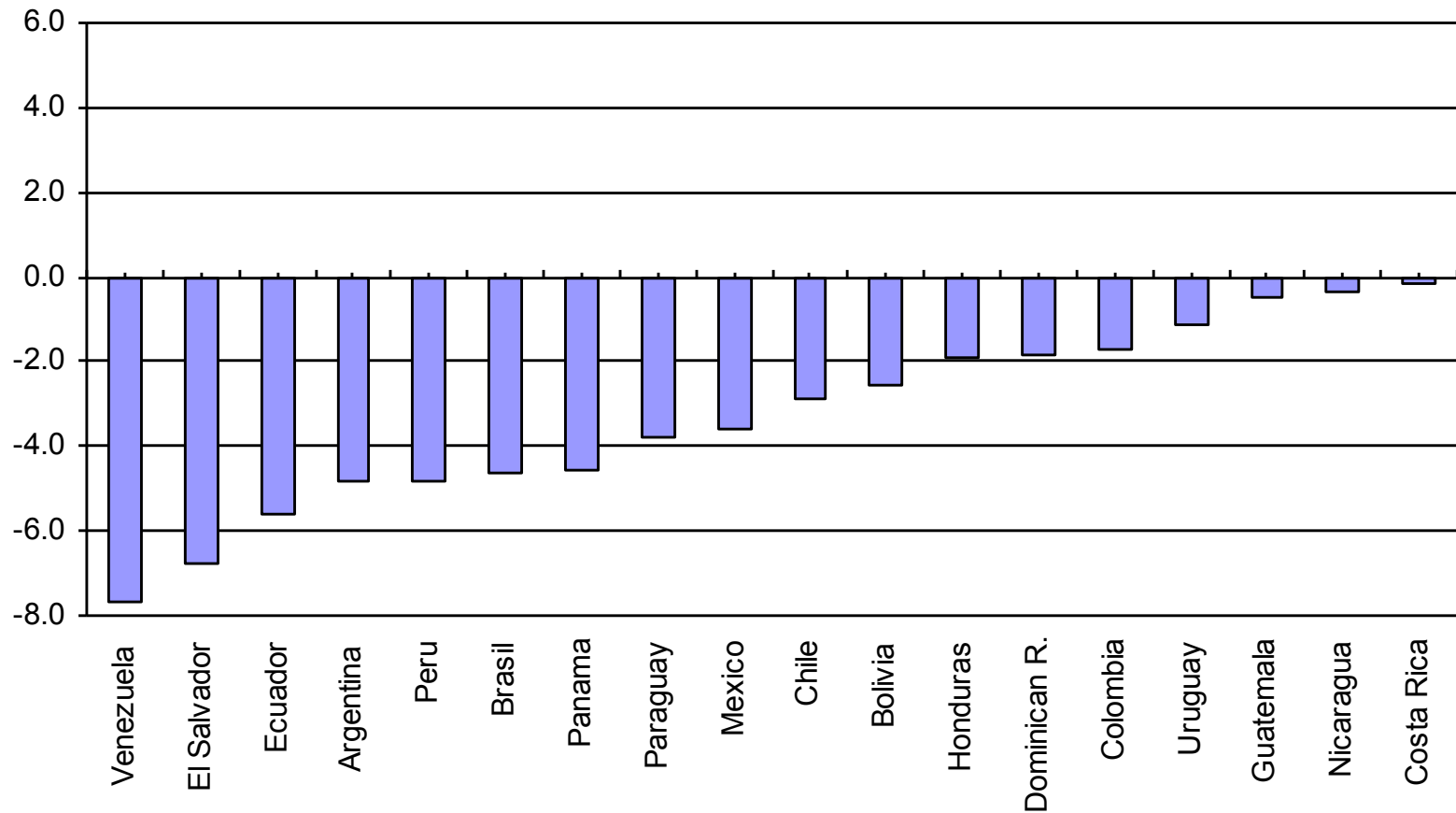
# Inequality in the 1990s

Change in Gini coefficient

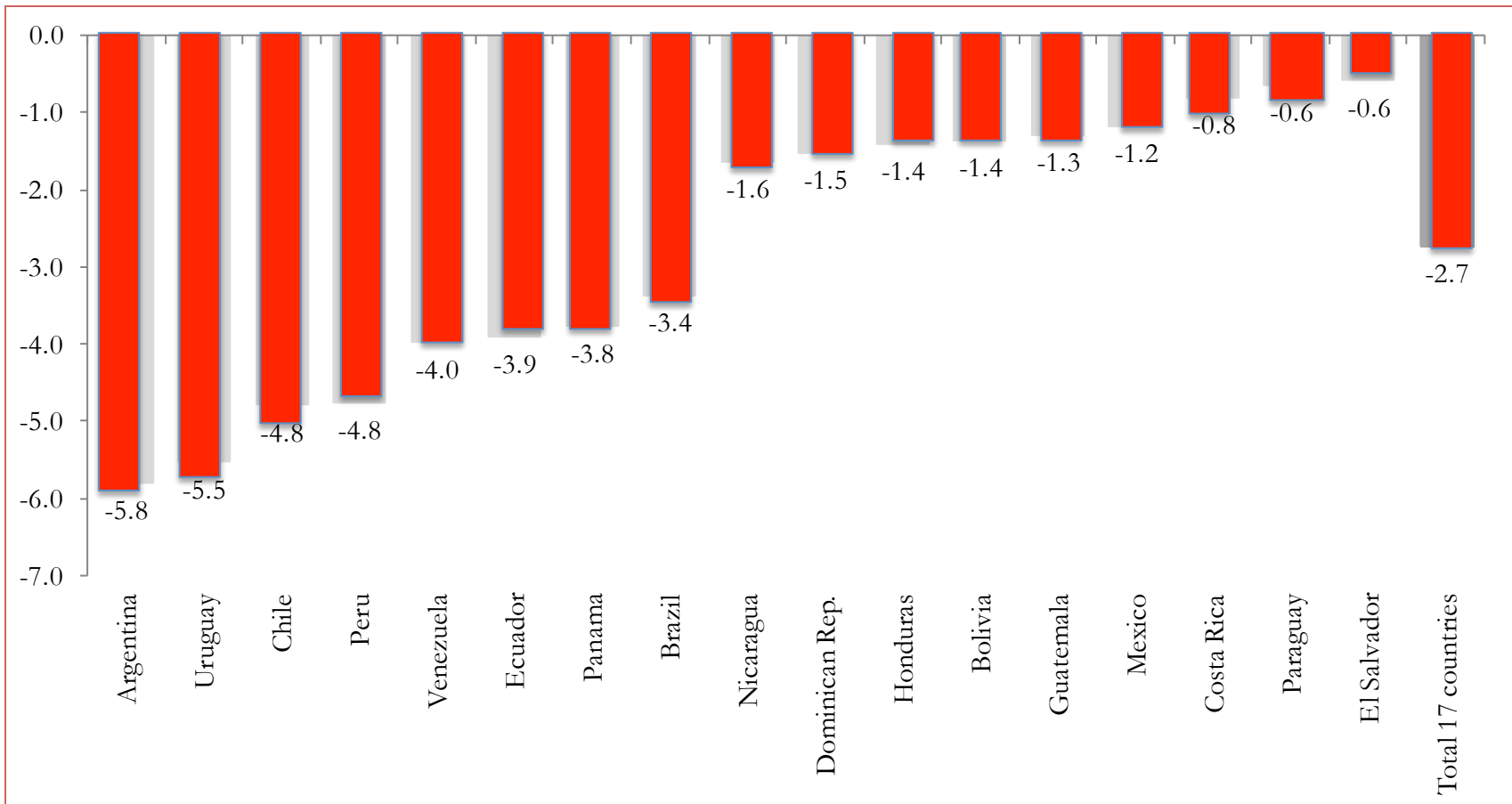


# Inequality in the 2000s

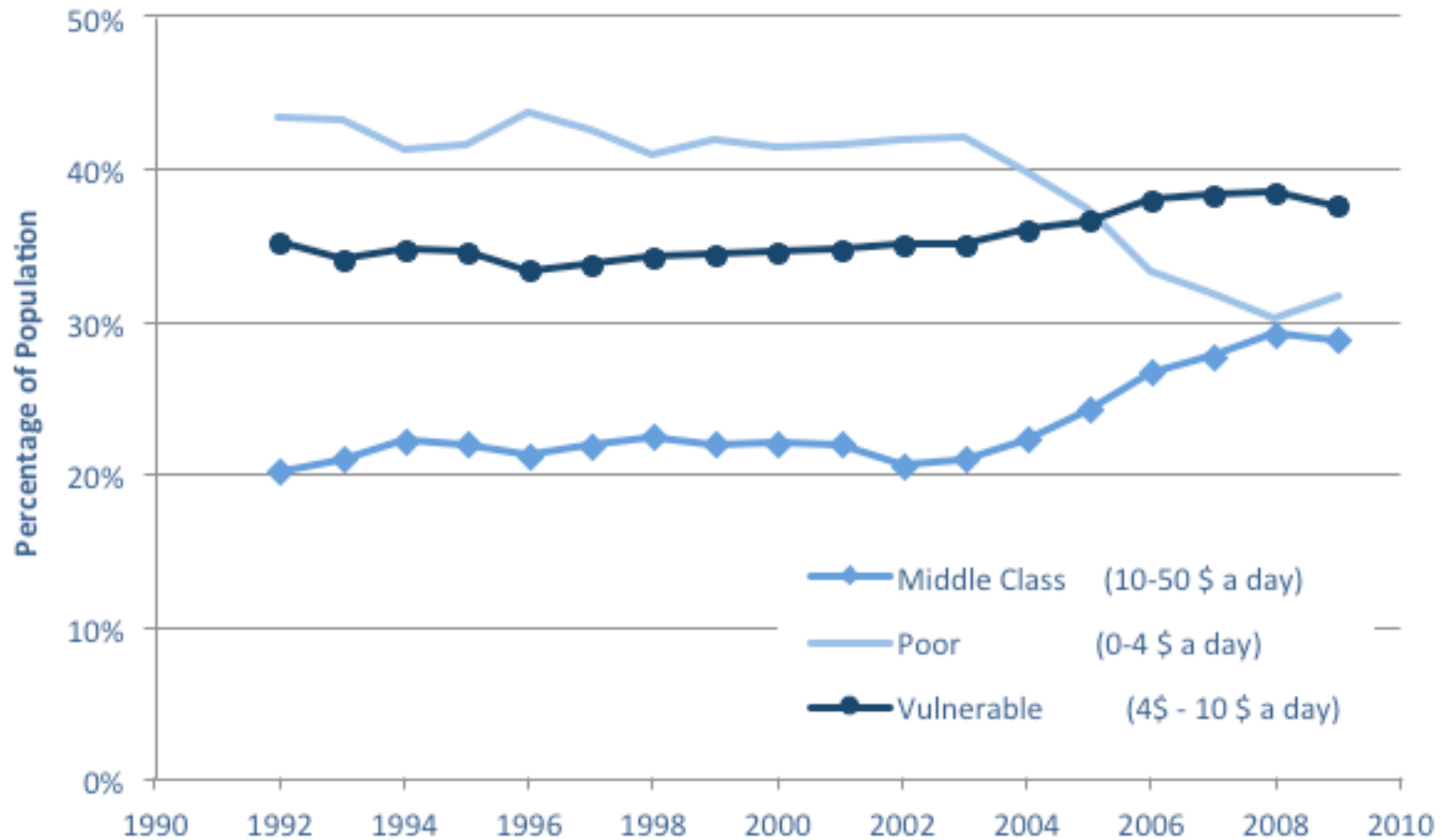
Change in Gini coefficient



# Extreme Poverty in the 2000s

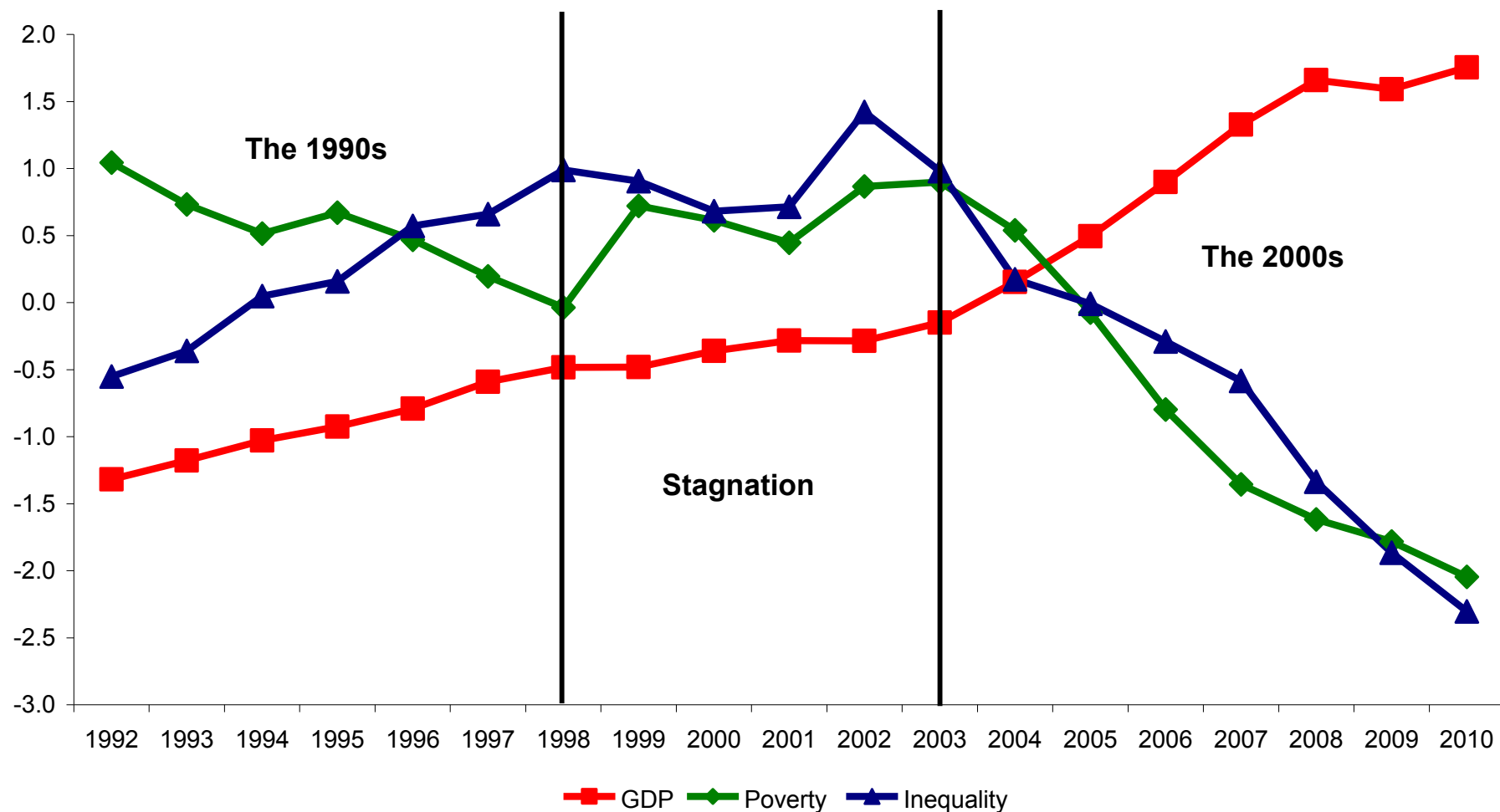


# Poor, Vulnerable Groups and the Middle Class



# Poverty, growth and inequality

Latin America, 4 USD PPP international poverty line



Source: own estimates based on SEDLAC (CEDLAS and World Bank).

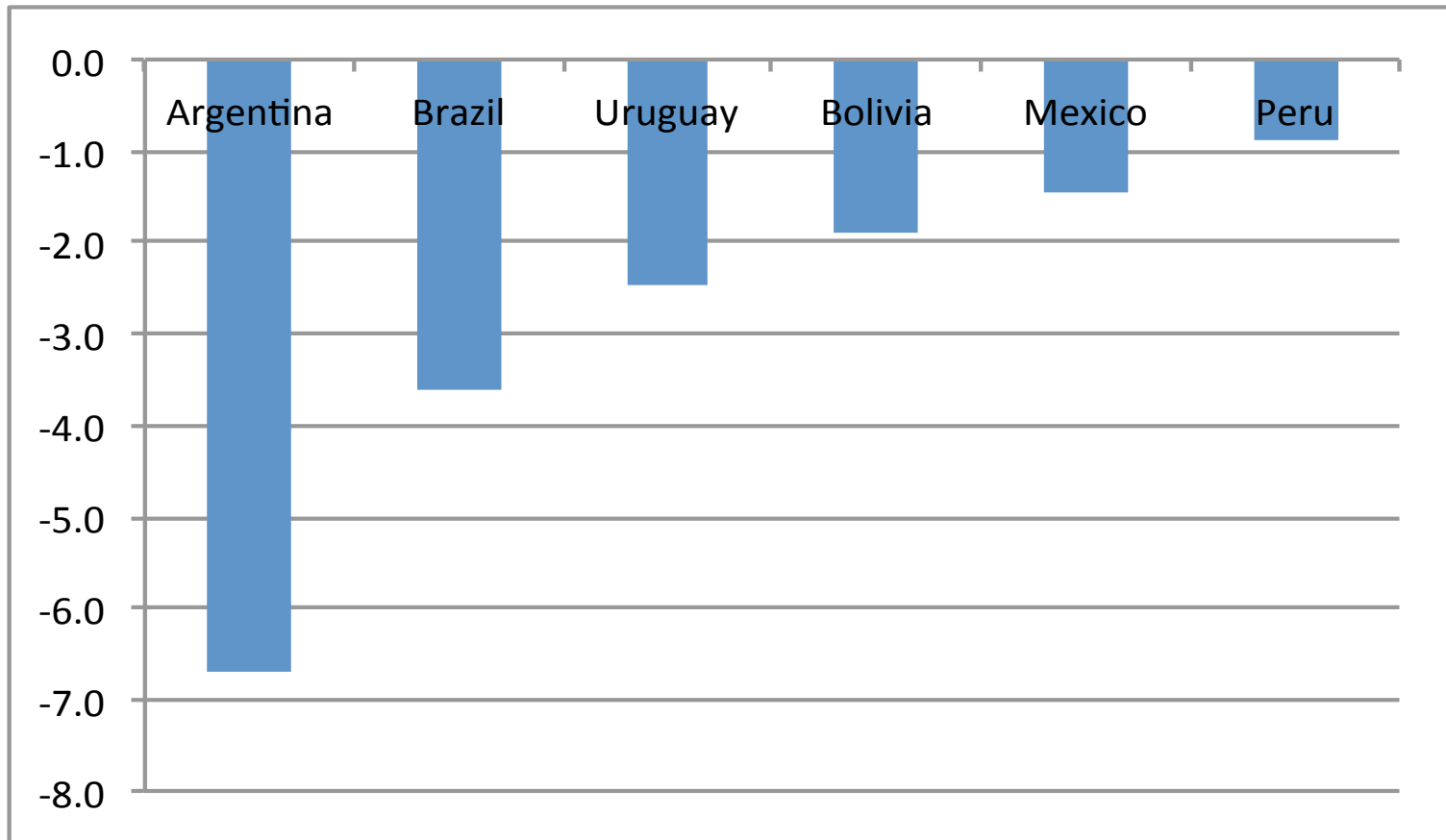


# Why did inequality fall in the 2000s?

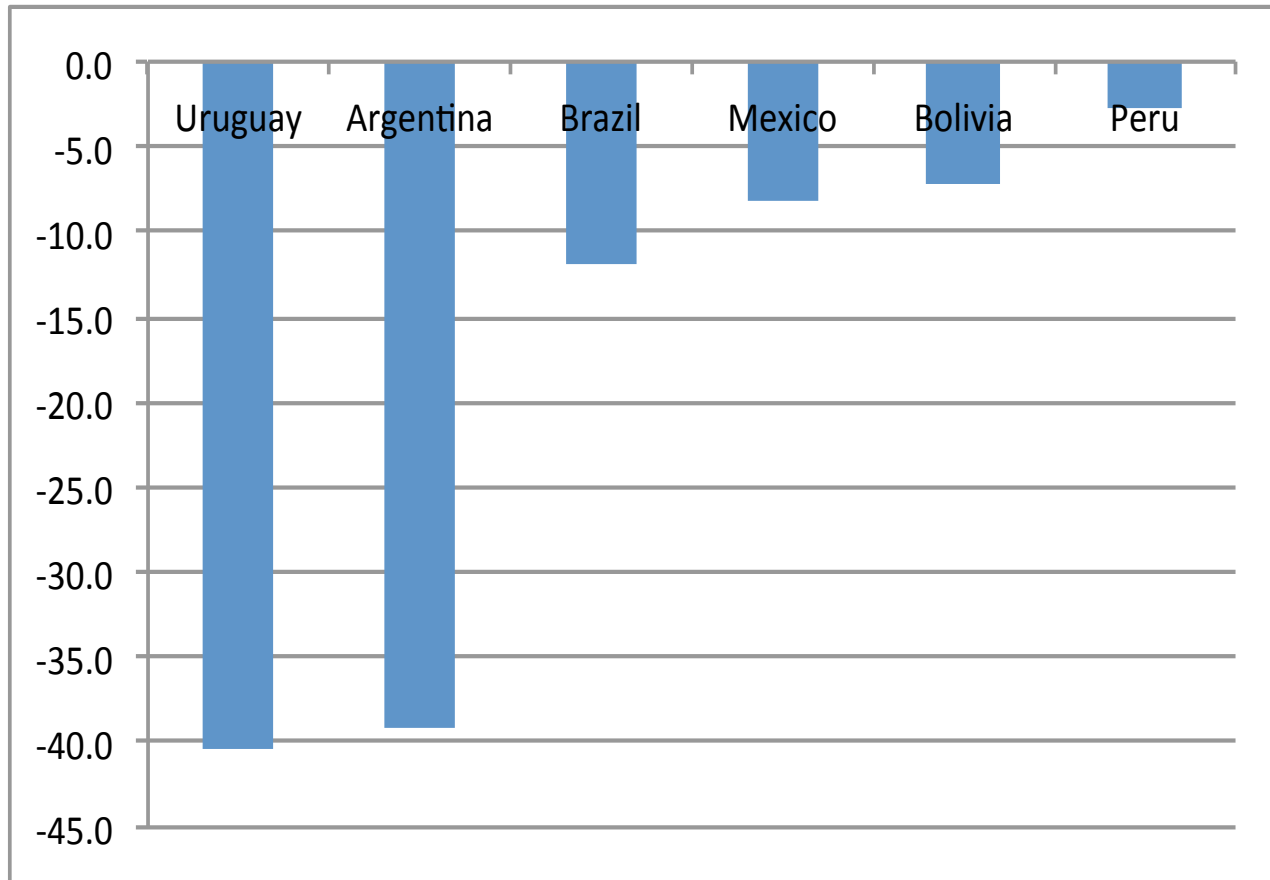
- Demographic factors
- Fall in wage gap
  - Higher demand for low-skilled workers
  - Increase in minimum wages
- Higher employment
- Increase in government transfers targeted to the poor
  - The CCT “revolution”

# Decline in Inequality and Poverty due to Direct Taxes and Transfers

Decline in Inequality (Gini coefficient; in %)

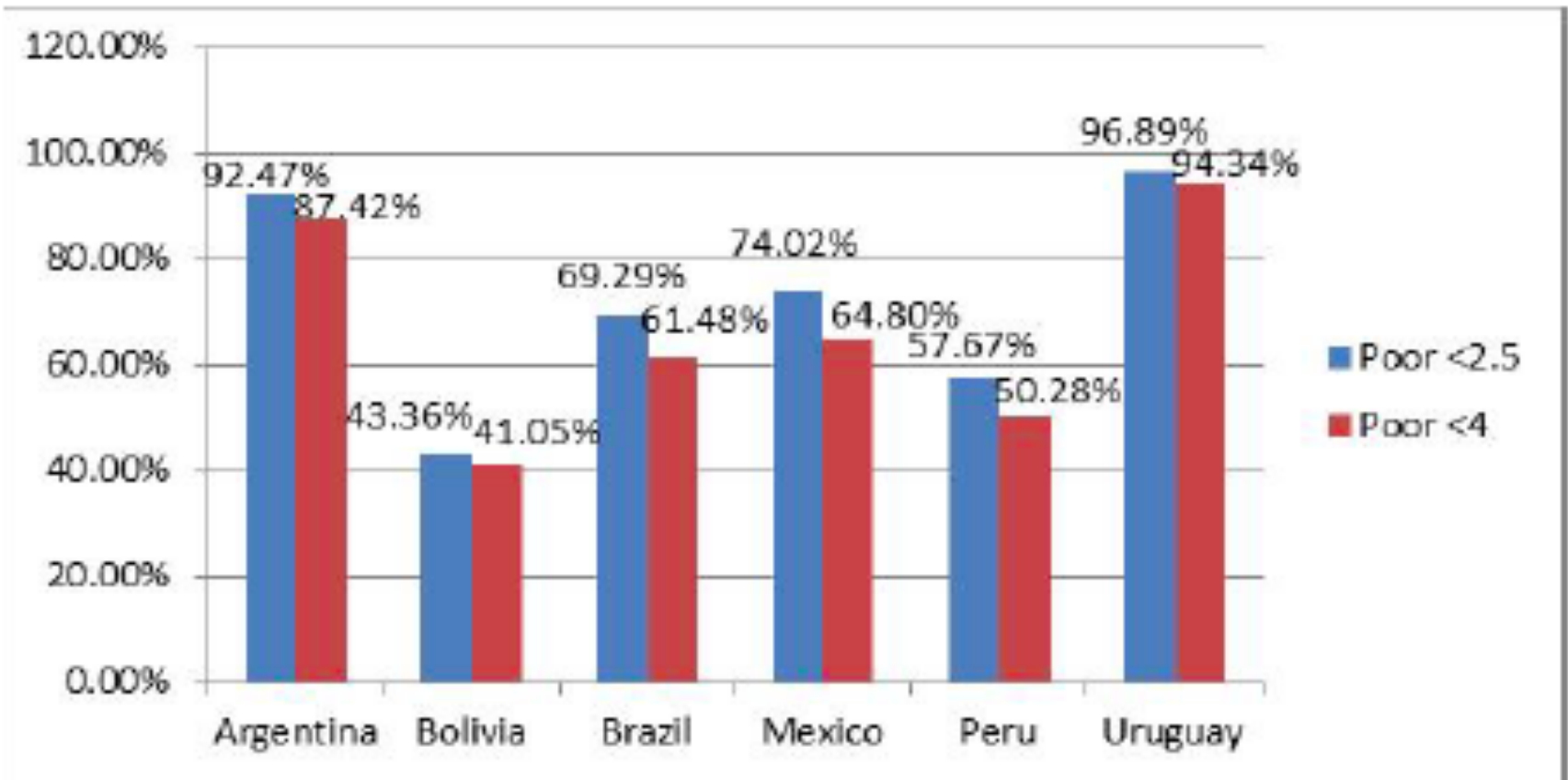


# Decline in Poverty (Headcount Ratio with US\$2.50 a day poverty line; in %)



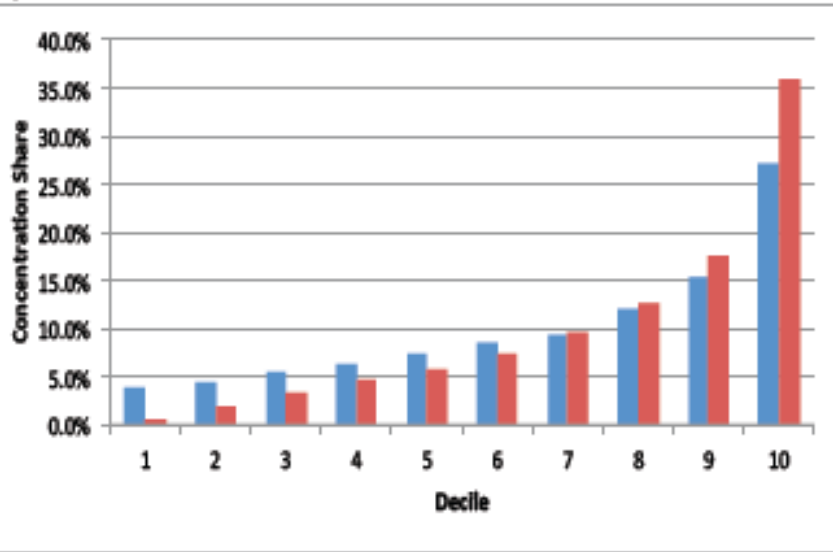
# Excluded (from gov. transfers) Poor

Percent of Poor who are Beneficiaries

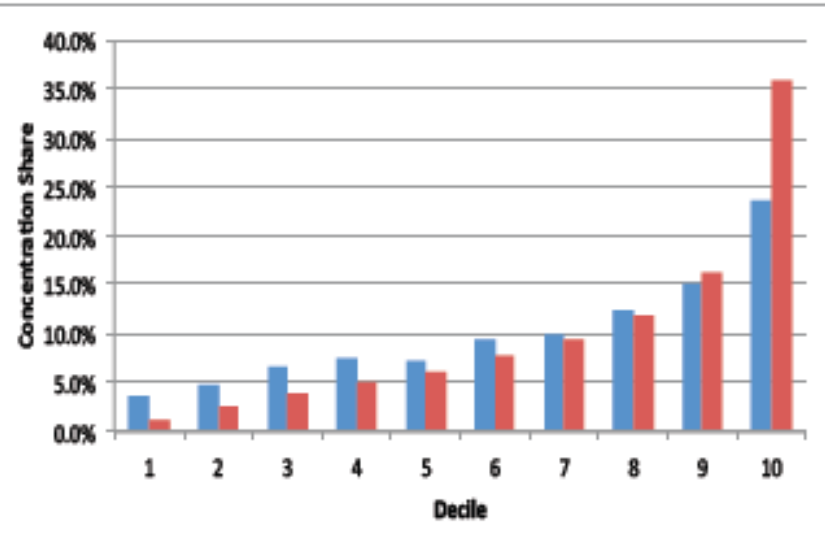


# Indirect Taxes are Regressive

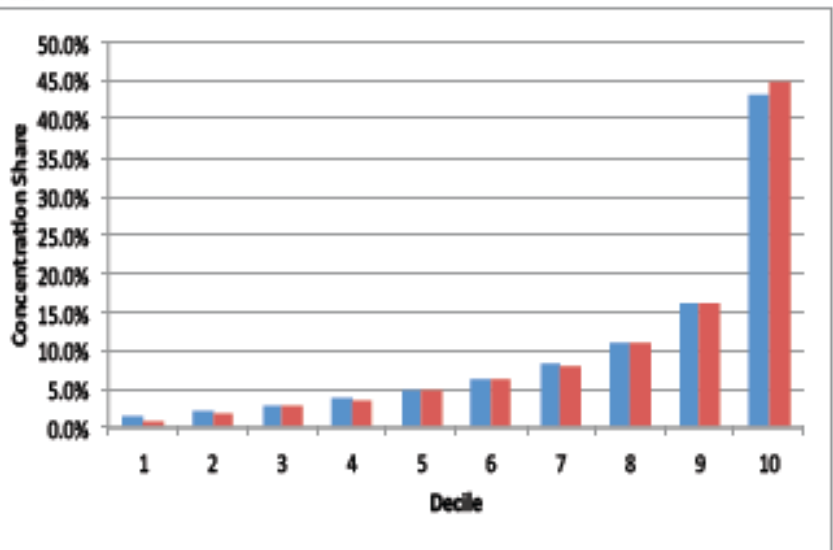
Argentina



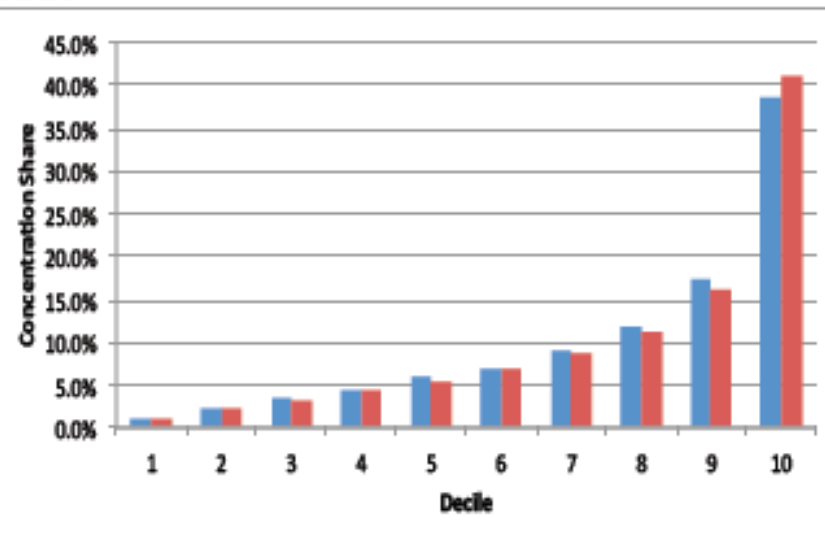
Bolivia



Brazil

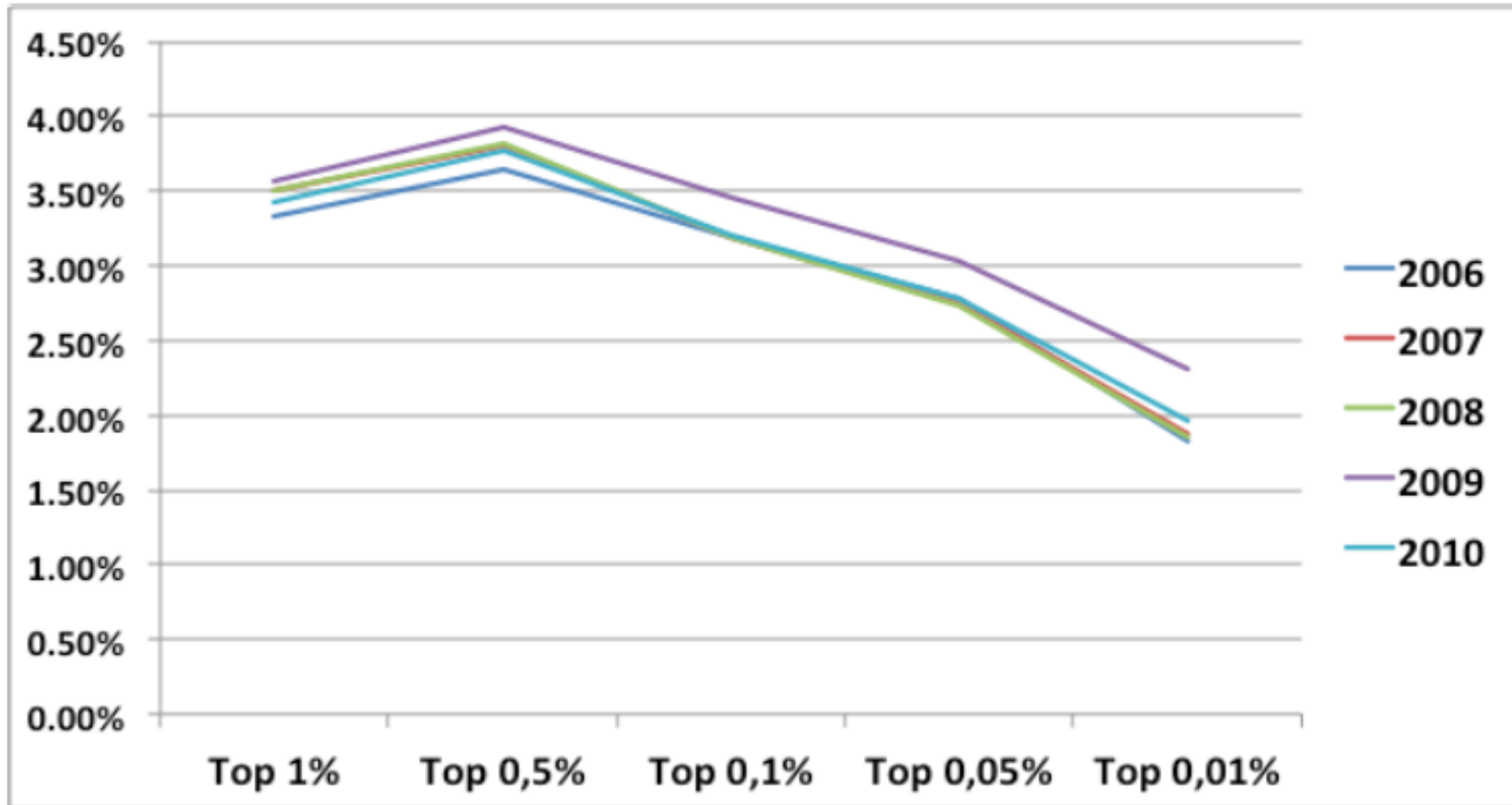


Mexico



# Income Taxes on the very Rich are Low

## Colombia: Effective Income Tax Rates at the Top



# Challenges

## Markets

- Global slowdown => commodity boom fizzles, fiscal space vanishes
- Quality of education => wage gap starts to increase again

## State

- Taxing the rich
- Safety nets and safety ropes for the excluded poor