

LUISS Guido Carli University  
Ph.D. Program in Politics: History, Theory, Science  
XXXI edition

**The Relationship between Inequality and  
Democracy:  
Evidence from Latin America**

Candidate:

Supervisor:

Claudia Salerno

Professor Leonardo Morlino





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*a Massimo*



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## PART I: INEQUALITY, DEMOCRACY AND THE LAC REGION



## INTRODUCTION



This PhD thesis deals with inequality and democracy in Brazil, Argentina and Chile. These three countries are particularly relevant, as all of them experienced some of the most notorious and most violent dictatorships in Latin America between the 1960s and the 1980s, all of them lasting for more than three decades, before the third wave of democratization. The three countries therefore share similar challenges in their path to democracy, but can also show outstanding progress.

The thesis takes into account the time span from 1990 to 2015, which is particularly relevant as it both marks the third wave of democratization, and it also mirrors the development agenda, allowing to evaluate real progress through sound, robust data, and to see whether the MDG agenda managed to create a more equal and more inclusive world.

The choice of examining inequality and its relationship with democracy is due to the current growing interest that the topic of inequality is gaining worldwide: as a matter of fact, while in the past the main efforts were diverted towards the fight against poverty, which resulted in the most extensive fight against poverty ever, as stated by former UN Secretary General, Ban Ki-Moon, nowadays, the new focus is on inequality, its growing impact on the political structures and all the consequences it entails. Events such as Brexit and the election of Donald Trump as US President are, for example, the result of the growing social and economic inequality and the erosion of the middle class, as rightly argued by Oxfam International in their 2017 report on inequality. Yet, they might also be a product of the political regimes in place, which might have produced more inequality than ever.

This thesis focuses on the political consequences of inequality. In this framework, poverty, which is the other major global challenge, is still relevant to the research, however, with a different perspective: poverty is analyzed as a means of

comparison, given the fact that much has already been achieved and done in this respect, and the real challenge in the developed nations, as stated by many distinguished scholars such as Piketty, Stiglitz, and Milanovic, is inequality, which can however impact the important progress achieved so far in the fight against poverty, as stated by both Oxfam International and the World Bank. Moreover, inequality can also impact the important efforts made in regards to the process of democratization in the area, and at global level, as it creates a less just society.

This doctoral thesis is divided into four main parts, and a final chapter containing conclusions and policy recommendations. Each part is made up by two chapters.

Part 1 contains two chapters: the first chapter, which focuses on the relationship between poverty and inequality, explains why it is more relevant to study inequality and what is the relationship between poverty and inequality. It also formulates the research question and explores the recent developments: how and why inequality has become such a growing concern over the last few years. Empirical definitions of the concepts of inequality and democracy, which are multidimensional difficult concepts, are provided. Mainstream literature up to the present is also presented, including the current debate on why inequality endangers our civil society and its democratic structure.

The second chapter restricts the research by focusing on the region of Latin America. It presents the main achievements and issues of the continent, with particular reference to Brazil, Argentina and Chile, on which the research focuses. Mainstream documents such as the Human Development Reports by the United Nations Development Programme, as well as reports by the World Bank, Oxfam International, Latinobarometro, and other United Nations agencies are critically

discussed to analyze the context on which research will be conducted. Also, groundbreaking research on poverty in the region carried out by the Oxford Poverty Human Initiative is quoted and linked to the issue of social and economic inequality with respect to different political regimes, with the aim of better framing and understanding the underlining issues of the region.

Part 2 of the thesis explores the relationship between inequality and democracy in Brazil. The first chapter reviews the achievements of the 25 years of the Millennium agenda, to see how Brazil has progressed in these 25 years, and how such achievements might contribute towards a more democratic country, with less inequality. The second chapter explores democracy in Brazil in the time span 1990-2015 and then evaluates the relationship between poverty, inequality and democracy with data analysis, elaborating from the 2011 definition by Morlino of quality of democracy.

Part 3 of the thesis explores the relationship between inequality and democracy in Argentina, just as it did for Brazil. Here as well, the first chapter reviews the achievements of the 25 years of the Millennium Development Agenda, to see how Argentina has progressed in these 25 years, and how such achievements might contribute towards a more democratic country, with less inequality. The second chapter explores democracy in Argentina in the time span 1990-2015 and then evaluates the relationship between poverty, inequality and democracy with data analysis, here as well stemming from the definition by Morlino of 2011 of quality of democracy.

Part 4 of the thesis explores the relationship between inequality and democracy in Chile, our last country of analysis. The first chapter reviews the achievements of the 25 years of the Millennium Development Agenda, to see how

Chile, this time, has progressed in this regard, and how such achievements have contributed towards a more democratic country, with less inequality. The second chapter explores democracy in Chile in the time span 1990-2015 and then evaluates the relationship between poverty, inequality and democracy with data analysis, using the concept of quality of democracy.

In Part V, chapter 9 concludes the research by carrying out comparative analysis of the three countries, trying to answer the original research question, as formulated in the first chapter: how inequality impacts democracy in the three countries that experienced some of the most violent dictatorships in Latin America, according to the indicators selected and the results inferred from data analysis. Finally, criticism to current and past policy measures, as well as policy recommendations are presented, highlighting new paths for research, in order to clarify a very complex issue, an issue that has become one of the most urgent issue in our world, and which can have future implications that can extend to other domains, such as policy migrations, economics, political science and sociology, just to name a few.

## 1. THE RELATIONSHIP BETWEEN INEQUALITY AND DEMOCRACY



## 1.1 Introduction: why inequality?

In the recent past, from about the turning of the new century, and especially after the Great Recession of 2007-2014, a major challenge has appeared on the global scene in an unprecedented way: inequality, both at social and economic level. Inequality is not a new issue, yet in an era of unprecedented wealth, development and progress, its impact and consequences are now so strong that they clash with all the efforts made towards development, civilization and culture of the modern world. Inequality has nowadays become so profound that all the major efforts in research are now being diverted towards the fight against it. While in the past, the development agenda of the United Nations, with its Millennium Development Goals (1990-2015) recorded the fight against poverty and hunger as goal number 1<sup>1</sup>, if one takes a closer look to the new development goals, the Sustainable Development goals, inequality (of income, of opportunity and gender) is a common thread throughout the new development agenda. Many distinguished scholars, such as Nobel Laureates Joseph Stiglitz and Amartya Sen, economists such as Branko Milanovic and Thomas Piketty, but also charity networks such as Oxfam International, together with the World Bank and the specialized agencies of the United Nations are raising their voices against inequality, warning about the dangerous impact that inequality has at social level. Inequality endangers the democratic fabric of our civil society. Oxfam International has long been crying about the dangers of inequality, as it might set back the important progress recorded so far in the fight against poverty (fight that has been highly successful in the past). Everyone is nowadays warning about the dangers of inequality and its impact on

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<sup>1</sup> Goal Number 1 of the MDG's: Eradicate extreme poverty and hunger (Halve, between 1990 and 2015, the proportion of people whose income is less than \$1.25 a day)

democracy as it sets back the important progress made towards a fairer society, a more democratic one, with less injustice and less rent seeking behavior.

The aim of this PhD thesis is to explore the political impact of inequality, to examine whether and how inequality may or may not impact democracy, but at the same time, to explore how inequality may be impacted by a particular democratic regime, to examine whether the choice of a particular political regime may have an impact on inequality. This type of research is particularly relevant in a time of political uncertainty, that poses a constant threat to our democracy. Life altering events such as the election of Donald Trump as 45<sup>th</sup> President of the United States of America, or the so-called Brexit, which is set to re-write the last 60 years of human history in Europe, are, many scholars have argued, a byproduct of the growing inequality that is seizing our modern world, and has seen the disappearance of the middle class. As many economists and political scientists have remarked, inequality is a danger to our democratic society, as it weakens the fabric of a society, erodes the sense of legality and justice that is a profound need for all human beings, and encourages rent seeking behavior and corruption. Yet, there is also the possibility that a particular political regime, rather than combatting inequality, might actually increase it in Brazil, Argentina and Chile. These countries experienced some of the most violent dictatorships in Latin America during the second half of the 20<sup>th</sup> century.

Therefore, the aim of this PhD thesis is to conduct research evaluating how inequality both at social and economic level impacts democracy, and by the same token, how democracy, measured by some procedural aspects following the research carried out by political scientist Leonardo Morlino (2011), might actually impact inequality.

The choice of researching inequality is given by the fact that inequality has now become the major threat to our society; while in the past poverty was the great challenge of the Millennium, and its fight produced paramount efforts and the greatest anti-poverty fight ever, nowadays we live in a world where less people than ever before perish hunger or poverty. Yet, inequality is stronger than ever, with 8 men owning the same wealth as half of the world (Oxfam International, 2017a). And whereas poverty might not be a won battle just yet, but very close to being a memory of the past, inequality is on the rise in every aspect: income, education, access to opportunity, gender, access to labor and healthcare, just to name a few of its areas of extension. Every aspect of our modern society is pervaded by it, and inequality endangers our society, causes violence, injustice, and it erodes our democratic processes. While a close look on poverty and the relationship between poverty and inequality will be developed throughout this chapter and the rest of the thesis, the main focus throughout the thesis will be inequality, as this is the new global challenge that every scholar, and every international organization is pointing at. Battling a world in which 1% of the population receives almost a quarter of the total income, and controls services, labor and financial market and access to opportunities does not only have important political and economic consequences, but might also be a moral duty as envisaged throughout the centuries, from the beginning of the times, since the cry of the French revolution for *liberté, égalité et fraternité!*

To conclude this brief introduction on the choice of inequality as topic of research, inequality is the new global challenge, that is threatening the important progress made during the 20<sup>th</sup> century on many levels. At the political level, inequality endangers the stability of the process of democratization, which has

allowed to move past decades of some of the bloodiest dictatorships in the history of humankind (especially in the region taken into exam in this thesis). At economic level, it endangers the progress made against poverty during the last century, as it encourages rent-seeking behavior. At social level, it creates a less just society, divides the people into *have* and *have-nots* (quoting Branko Milanovic's 2010 work), and encourages rent seeking behavior.

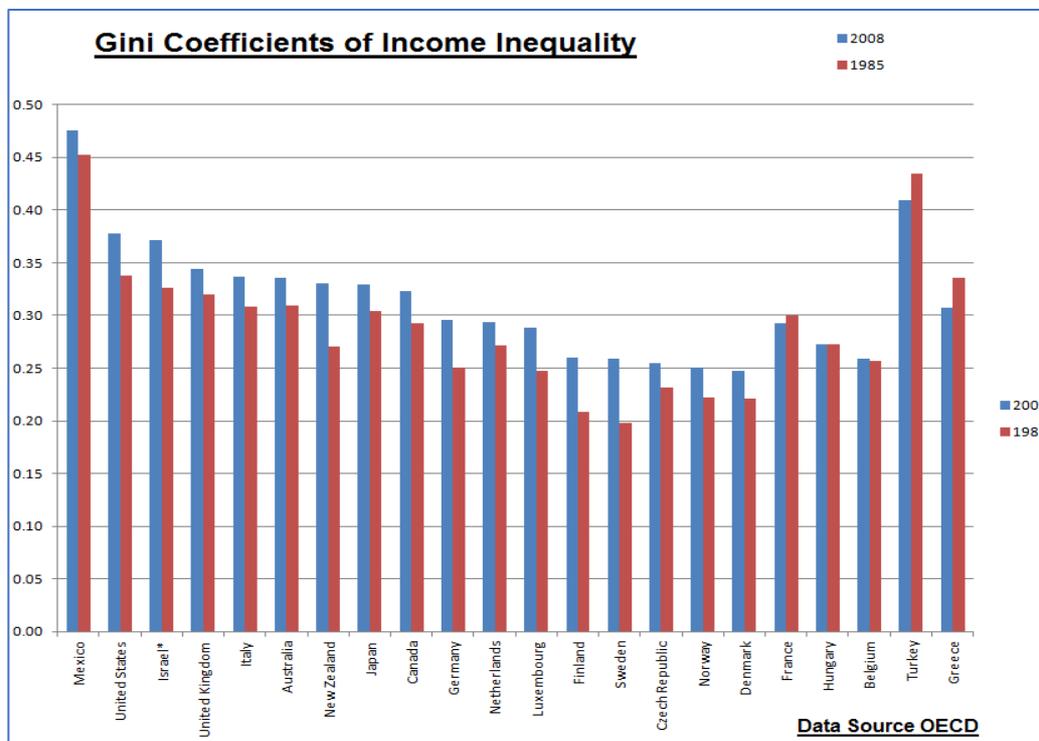
In 2009, Richard Wilkinson and Kate Pickett, published *The Spirit Level*, an extensive work on inequality in our modern societies, with bold assumptions going as far as suggesting that inequality is the root cause behind complex issues stemming from mental, emotional and physical disorders such as depression, anxiety, diabetes, obesity, drug use and abuse, to imprisonment, consumerism and dysfunctional societies. According to the authors, the implications of inequality within a society are so profound and disruptive that they justify a broad range of issues, that go behind what is mainly pertaining to either the domain of economics or political science, but has very strong sociological implications, embracing every aspect of our lives.

In the end, inequality is a threat to our democratic society and to centuries of constant progress by humankind, just like poverty and wars were during the 20<sup>th</sup> century. Our next global challenge might be more silent and less obvious than in the past; yet, it still poses a great threat to mankind.

## 1.2 What is inequality?

Before briefly touching upon the important path that the concept of inequality has made throughout history, it is necessary to focus on a good definition of inequality. However, fulfilling such an exercise might result in a daunting task. While looking for a sound definition of inequality through the most relevant actors called to tackle the issue, the confusion appears clear. The OECD (2017) seems to clearly adopt a definition of inequality of income, suggesting that inequality is the gap between the income of the rich and the poor. Such a gap is now the highest it has been in 30 years: as a matter of fact, the average income of the richest 10% is around 10 times that of the poorest 10%; this ratio can reach up to 14 to 1 in the United States, Israel and Turkey, and 27 to 1 in Mexico and Chile. The two graphs below show the exponential growth of inequality during the last 30 years:

Graph 1: Gini Coefficients



(Source: OECD, 2017)

Graph 2: Income Inequality



(Source: OECD, 2017)

The OECD (2017) while defining inequality, remarks that the gap between the rich and the poor is also widening in China, India, and South Africa, due to the fact that the benefits of economic growth do not trickle down, and do to the fact that in advanced economies tax benefit systems redistribute less than in the past, while in developing countries social security still remains to be attained.

There are several problems with the definition of inequality as indicated by the OECD: first of all, it just takes into account income, but as Stiglitz (2012) points out, the problem is not only income, but also and especially rents (the same as indicated by Piketty by capital). Secondly, the definition only takes into account the monetary dimension of inequality, but does not consider the inequality of opportunities, such as access to education, health care, sanitation, water, gender discrimination, and many other important dimensions of inequality. Clearly, the definition as proposed by the

OECD is convenient from a quantitative point of view, as it is functional and can be efficiently used to work with, but it only tells a part of the story. Income is only the tip of the iceberg, especially in some countries, and a more thorough definition is therefore needed.

The definition adopted by the World Bank does not seem to contribute much more into forming a good, solid definition of inequality. The World Bank (2017a) remarks that inequality is a broader concept than poverty as it is defined over the whole population rather than focusing only on the poor. One property of a good measure of inequality is mean independence, which is a desirable feature. The World Bank remarks that most inequality measures are calculated by dividing the population into quintiles from poorest to richest and calculating the gap from the top to the bottom quintile.

Here again, the definition adopted by the World Bank tends to coincide with its measurement and mainly focuses on the monetary dimension of well-being. All the implications of inequality, such as rent-seeking behavior, inability to access good education, health care, gender inequality, are not reflected in the World Bank's definition of inequality.

A more theoretical framework of inequality is provided by the United Nations: as stated in 2015, using a definition adapted from the Oxford Advanced Learner's Dictionary, *inequality is the state of not being equal, especially in status, rights and opportunities*. However, in the public eye, the term has created often times great confusion, as sometimes it is used to refer to *economic inequality*, mainly income inequality, or inequality in living conditions, and *inequality of rights and associated obligations*. The first definition focuses more on the material dimension of well-being, while the second refers to inequality of outcomes or results. The first definition, the

United Nations argues, can be considered as inequality of outcomes, while the second can be defined as inequality of opportunities.

According to the UNDP (2013), the difference between opportunities and outcomes is a false dichotomy, as both are just different faces of the same coin. The UNDP remarks that since the nature of human development and well-being is multidimensional, it is necessary to adopt a vision of inequality that considers three dimensions that are interlocked: the material dimension, made of income and assets, the relational dimension, which is made of personal and social relations, and the subjective dimension, which is made of values and perceptions. The inequality of outcomes (material dimension of well-being) is strictly connected to the inequality of opportunities (opportunities matter for equitable outcomes). Unequal outcomes, especially income inequality, play a very important role in determining variations in human well-being, as this appears evident due to the fact that there is a strong association between income inequality and inequalities in health, education and nutrition, as reported by the WHO in 2008. Yet, income inequality is just one of the three dimensions of inequality. One must also consider inequality of voice and agency, of the ability to shape one's life as desired, as it is indeed this type of inequality that will later in life translate as inequality of income and social position.

The confusion about what we mean by inequality is not difficult to understand, as the way we measure phenomena is linked to the definition we choose to adopt for them, and this yields different results according to the definitions chosen. What appears clearly, is that we are nowadays moving more and more away from a mere definition of material inequality to focus on a more complex definition of inequality, that includes deprivations on many levels.

While not completely exhausting, in this doctoral research, the definition adopted by the United Nations as the state of being unequal, will be used, and inequality will be considered both as inequality of outcomes and opportunities. Although this might not be the best definition possible, it is the most functional that we have so far, as it reflects the multidimensionality and complexity of human development and human well-being. The lack of a sound working definition is indeed a symptom of the complexity and the extension of the issue that we are called to tackle in this century.

As stated above, inequality, just as poverty, is a complex, multidimensional phenomenon that comprises deprivations on many levels; inequality is a very complex issue, with a long history.

### 1.3 A brief history of inequality

The debate on inequality started as early as 1790, with the cry for *liberté, égalité et fraternité*, which drew attention on one of the most paramount concepts in human history and development, the concept of equality among human beings. The French Revolution, with its ideals, deriving from centuries of Greek philosophy, laid the attention on one of the most relevant topics in human history, the difference in possibilities, possessions and outcomes, between human beings, between those who had many possessions, and those who, on the contrary, lacked the means and in the end the freedoms that others enjoyed. Inevitably, the French revolution with its ideals of freedom, equality and brotherhood for all human beings marked a watershed in human history, and reformed in an unprecedented way, the modern thought of Western civilization. As argued by Wilkinson and Pickett (2009) at the time of the French Revolution, liberty meant freedom from the shackles of social inferiority, while fraternity was envisaged as the need for mutuality and reciprocity in social relationships, and equality was seen as the precondition for the other two to come true. Inequality, as they argue, not only produces all problems associated with social differences but weakens our societies on many levels: economically, politically, and socially. Inequality is a self-perpetuating mechanism.

The moral imperative that all human beings must at some point in history converge towards the same level of well-being, in spite of social class, education, gender and other discriminating factors, became a guiding principle for many important scholars of philosophy, politics, economics, up to the present day. Its ramifications throughout the forthcoming centuries were so powerful that they were able to even shape the political order of some countries, as we have experienced with political regimes such as the Communist Soviet Union, and Fidel Castro's Cuba

during the 20<sup>th</sup> century, both pursuing, and one may wonder to what extent successfully, the ideal of equality among human beings.

The fight against inequality was later revisited by one of the most prominent figures of the 19<sup>th</sup> century, German philosopher Karl Marx, who reformed the course of political thought with his 1867 work *Capital: Critique of Political Economy*. In his work, Marx identifies in the capitalist state of affairs the drive for exploitation of one part of the society, mainly those who lacked capital perpetrated by those who were capital abundant, under the protection of the capitalist state. Therefore, Marx identified in the capital, the drive for discrimination and inequality. Although some authors (Wood, draft) have argued that certainly Marx did not share the same concept of inequality as we advocate today, his political thought was very prominent for what was to come in the next century, the fight for a better, more equal world, the opposing visions of Communist versus Capitalist societies, driven respectively by the quest for greater equality and the quest for personal freedom and individualism.

Although Marx was probably one of the most prominent thinkers of his time, setting the stage for future debate on political and class struggle, capital and labor, he was not the only one concerned with equality between human beings. Other important scholars, philosophers, as well as political theorists and economists, have advocated for a fairer distribution of resources and wealth to create a more just and equal society. The concept of equality is connected to the quest for a fairer distribution of wealth and possibilities, or in the words of one of the most distinguished scholars of our time, of freedoms (Amartya Sen with his 1999 *Development as Freedoms*, and all his revolutionary theory on human development which reformed the theory behind the United Nations and the modern concept of human development and human progress). The concept of equality among human

beings is so paramount and at the same time has become so important that it has called the attention of important figures such as Argentinian Pope Francis, who has several times advocated for a fairer distribution of wealth and outcomes, for example in his 2015 speech in Bolivia<sup>2</sup>. Also the former United States President, Barak Obama, firmly stated that inequality is not only morally unfair, but is also bad for the economy (The Conversation, 2016). President Barak Obama has also stated that the greatest challenge of the next US President will be to battle inequality, which has been increasing in the United States for decades (the United States is probably one of the most unequal among the developed countries and its widening inequality has been exposed several times by many important scholars such as, for example, Stiglitz in his 2012 work on inequality). In his departing speech in front of the United Nations General Assembly, in September 2016, President Obama stated that a world in which 1% of humanity controls as much wealth as the remaining 99% will never be stable (Oxfam GB, 2017).

The need to change things, and to be able to overcome the growing global inequality has become a moral imperative for many societies. Its importance is so paramount that the inequality of a country has become the measuring unit to evaluate the level of development and civilization of a country, and it is also a good indicator to forecast the level of development that the country will be able to attain. While some level of inequality is actually desirable and a good thing as it is the drive that pushes people to better themselves, as explained by the World Bank in their report on *Poverty and Shared Prosperity 2016, taking on inequality*<sup>3</sup>, too much inequality endangers the fabric of a society, it encourages corruption which weakens

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<sup>2</sup> Speech at the World Meeting of Popular Movements on July 7, 2015, in Santa Cruz, Bolivia.

<sup>3</sup> The fact that the latest World Bank annual report on poverty focuses on inequality is particularly significant as it is a strong indicator of the importance that inequality has gained over the last years and how strong it is felt by the organizations that dictate the development agenda.

and impoverishes further a society. In the past, there have been several failing experiences of political regimes which advocated for absolute equality, crushing all freedoms and individual inspirations to reach this goal, as was the case of the Soviet Union after the Second World War, until the Fall of the Berlin Wall. This was hardly a successful attempt, and resulted in a very high cost in terms of human lives, aspirations, hopes and dreams of the very same people whose lives it was meant to improve. Everyone was equally poor, equally unfree, equally prisoner to a totalitarian regime who crushed their hopes and dreams. Using the very definition as envisaged by Amartya Sen in 1999, who sees development as an expansion of human freedoms, the countries of the Soviet block were lagging behind in development, as their citizens were lacking all basic freedom, the freedom to do what they valued important to be, and what they chose to be in their lives. Other experiences similar to the Soviet Union have as well been arguably successful: one may for example recall Fidel Castro's Cuba or Hugo Chavez's Venezuela. Although very different from one another, and with different end results as well, both regimes resulted in a very high cost for their citizens, who paid a very high price for the levelling of all inequality promised by their rulers.

Inequality is also the focus of the debate on global justice in political philosophy, which has been authors such as Hobbes, Rawls, Sen and Nagel debating on the different scope of inequality and how a more just world can tackle it.

Some have argued that there is no solution to the inequality equation, as inequality is actually productive because it mirrors the different ways in which each person contributes to a society. Inequality is therefore a result of the different choices of people: it is a product, an indicator of different choices made by the people in terms of contributing to a society and should therefore not be tackled. The problem

with this assumption is that while inequality may partially reflect different contributions, this statement does not take into account that unfortunately inequality is self-preserving and self-perpetuating. Those who have more enjoy more and better services and have access to better opportunities such as better education, better nutrition and health care, and later in life, better job positions. All this in the end, results in a system which only partially reflects meritocracy, because the weakest within a society see opportunities being denied to them and instead given to the ones who are among the top 1% of the society. Those who enjoy more have more economic, social and political power and have access to better opportunities, better education, a better network that can grant them a more successful life. Inequality determines early in one's life the place that a person will occupy: as Branko Milanovic reports in his 2016 work on inequality, the assumption that one can actually climb the social ladder through education and personal effort is no longer true in most countries. Also as he argues, marriage into a higher social class (which was traditionally a common way for women in particular to move up in social class) is no longer as customary as in the past. Inequality is becoming more and more self-perpetuating and protecting itself from those who might endanger it from the outside.

While nowadays inequality seems to be a highly debated issue, as it has grown exponentially over the last decades (although some argue that inequality is a product of globalization, others argue that its roots can actually be traced back in the 1970s, with stagnant wages for workers and top income for managers), inequality is not a new phenomenon, but it actually goes way back as argued by Thomas Piketty in his *Capital in the 20<sup>th</sup> century* (2013). Yet, its growth over the turn of the Millennium, and especially during the Great Recession, has been so marked that it has attracted world wide attention and is now on the agenda of all development

organizations. What appears clear, although it might not always be clearly stated, is that inequality is not only morally wrong, as it challenges the very same ideas of the French Revolution, on which our modern thought has been built, but also goes against the Universal Declaration of Human Rights of 1948, adopted by the United Nations after the scourge of two World Wars<sup>4</sup>. Not only does inequality have important ramifications on the economy, endangering the stability of the system, as mainstream research is trying to show at the moment<sup>5</sup>, but it has also important social ramifications: it promotes a climate of violence, rent seeking behavior, social injustice that in the end impacts the political, social and economic structure of a society.

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<sup>4</sup> Article I: All human beings are born free and **equal** in dignity and rights. They are endowed with reason and conscience and should act towards one another in spirit of brotherhood.

<sup>5</sup> Inequality is traditionally and especially at present time, considered as inequality in income and studied mainly by economists, as an economic factor.

## 1.4 Poverty or inequality?

While the first part of the chapter has tried to show why inequality has gained center stage at worldwide level, this section of the chapter will explore the relationship between poverty and inequality. As we have seen in the previous section, inequality is a very complex and long-dating issue, so complex that it is even difficult to come up with a comprehensive definition that can fully grasp the magnitude of the issue. Inequality has marched hand in hand with poverty since the beginning of times. The topic of inequality goes a long way back, so far as to inspire the French Revolution, and the whole debate on social and global justice. So how does such a complex and multidimensional issue connect to poverty? Over time it has become clear, as all the most important development organizations and all mainstream economics literature are telling us, that poverty is no longer the major challenge that our democratic societies are called to answer, especially in the developed nations, but it has gradually and steadily been replaced by inequality. However, poverty is still present at global level, with some countries in more desperate conditions than others, and poverty and inequality are interconnected and progress closely. Their relationship is certainly complicated and while it is possible to say that poverty feeds inequality, the opposite is true as well, as inequality feeds poverty. As Marcuse (2015) points out, if we focus only on poverty, we might just miss the complete scenario of what is actually going on at global level. Yet, when the focus is instead of inequality, we are required to examine what is happening at global level, what is happening both with the poor and the rich. In statistical terms, while poverty only focuses on the bottom of the distribution, on the poor, inequality provides a better picture of the selection, as it takes into exam the whole selection. Inequality tells us where we are in respect to the others, how we are faring,

comparing to the others. Possibly, inequality might not be as relevant in developing countries, where poverty is still strongly felt and where people lack access to basic things such as water, sanitation and infrastructure, but it is very relevant in the developed world. And while it may be true as some scholars have argued (Raffaele Marchetti and Lorenzo Fioramonti, personal comment in September 2016) that poverty and inequality travel on different tracks, with especially poverty making impressive progress and falling steadily each year since 1980<sup>6</sup>, and inequality increasing sharply each year and especially during the Great Recession of 2007-2014, other scholars and many development agencies are warning that if inequality is not tackled, the progress made with regards to poverty might be halted and could possibly even be reversed. For example, the World Bank in its 2016 report on poverty and inequality, has clearly stated that if the current level of within-country inequality is not tackled, the World Bank goal of eliminating extreme poverty by 2030 will not be achieved. Winifred Byanyima, Executive Director of Oxfam International (which has become one of the most authoritative bodies for poverty and inequality) is warning against the dangers of inequality. Byanyima strongly believes that if inequality – global inequality as she calls it – is not addressed, it will set back the progress made on poverty by decades. As she remarks, the poor are hurt by inequality twice: their share of the economic pie is already smaller than the rest, and due to inequality, it decreases even further. As she suggests, despite inequality being apparently on everyone’s agenda, world leaders must still prove that they are really committed to doing anything and really tackling inequality.

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<sup>6</sup> This is especially due to all the international programs carried out by organizations such as the United Nations specialized agencies (Food and Agriculture Organization, World Food Programme, International Fund for Agriculture, United Nations Development Programme) as well as other humanitarian non-governmental organizations created in the recent past.

Research through research shows that there is definitely a strong link between inequality and poverty and while it is true that they are currently moving on separate tracks, they are strongly connected and inevitably one feeds the other. There might be inequality without poverty, as it is happening in most developed countries, where the real culprit is inequality and not poverty, but inequality eventually leads to poverty again, as it is happening in the United States for example. Such a high level of inequality endangers the democracy within a society, impacting the sense of legitimacy within a society and encouraging rent seeking behavior. In the end this causes poverty and impoverishes a society even further.

Before we move to explore further the relationship between poverty and inequality, which will be developed through the rest of this thesis, it is important to focus on the concept of poverty which will be used, as the same multidimensional approach that will be discussed for poverty, will also be taken into account for inequality.

During the last century, after the Second World War, the Declaration of Human Rights set the stage for a different concept of progress and development, and the last century saw a very articulated debate on poverty. Unlike what was stated in the Universal Declaration of human rights, not all men were born free and equal. Poverty resulted in more than a deprivation of income, it was rather, as in the words by Amartya Sen (1999) a deprivation of human choices and freedoms, freedom to live the kind of life that a person wishes to live, a long and healthy life, and to be whatever one values worth being. The fight against poverty became more and more paramount in the development agenda; while a part of the Western world was enjoying a period of increased growth and renewed optimism, which translated at social level with a pronounced growth in population (the so-called baby boom), the

other half of humanity, those born in the wrong part of the world, were enduring unspeakable suffering. This was no longer acceptable to the public opinion and to those who had, in their own experience through two of the bloodiest conflicts in human history, witnessed and endured the same suffering, the same level of destruction.

The 20<sup>th</sup> century saw great improvements and fast paced changes in the fight against poverty. Goal number 1 of the United Nations Millennium Development Agenda (MDGs) to halve poverty and hunger by 2015 produced the most successful anti-poverty movement in human history, as stated by former UN Secretary General Ban Ki-moon in 2015. The effort was so profound that as a consequence, Goal number 1 was reached well ahead of time, in 2010, five years before the goal year, though some might argue that this success was not achieved without having to pay a very high price<sup>7</sup>. Yet, some new and powerful challenges have risen at the same time, especially if one is to bear in mind that Goal number 1 only considers people who live under the poverty line of US \$ 1.25<sup>8</sup>, the official poverty line by the World Bank until 2015, but does not consider those who fare just slightly better and are just above the poverty line, for a few cents. They are in actual terms, almost as poor as those below the poverty line.

The debate on the poverty line focused on whether it was possible to basically measure poverty as a mere deprivation of income, or rather if it was necessary to

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<sup>7</sup> MDG 1 was achieved well ahead of time mainly due to the fast-paced development of China. However, such development has raised several concerns on the impact that it has had and will have in the future, on the environment, on the earth resources (especially scarcity of clean water within the country). One might just bear in mind that the current generation is already banking on the future generations' earth resources each year from August, when Earth Overshoot Day is reached (in 2017, Earth Overshoot Day was on August 2). Moreover, the problem with the fast-paced development of China also entails gross violations of basic human rights: as a matter of fact, China's track record for human rights abuse has been terrible, with unknown (undeclared) number of death sentences being performed each year, and tough restrictions on basic human rights such as reproduction (one child policy).

<sup>8</sup> This has been the official poverty line of the World Bank since 2008. As of October 2015, the new poverty line has been established at US \$ 1.90, and adopted from April 2016 (World Bank, 2015).

adopt a more articulated concept of poverty, as a multidimensional phenomenon strictly connected with human development, that would be able to catch the multidimensionality of poverty, as a deprivation of monetary resources, as well as lack of education, food security, human health, individual and political freedoms as well as other contributing factors. This significant shift towards a more comprehensive definition of poverty took place during the second part of the 20<sup>th</sup> century, and involved two different conceptions of poverty: mainly poverty as a lack of financial resources, income, and those who believed that poverty was connected with other significant deprivations.

Those who saw poverty as a mere lack of financial means believed that achieving growth for the country was the most significant strategy, as eventually such growth would cascade onto all layers of society, and everyone would be better off. The World Bank and the International Monetary Fund have promoted this approach throughout the years, with the so-called trickle down economics, which actually pursued growth oriented policies at all costs, and promised growth and wealth for everyone. Unfortunately, things did not turn out as envisaged, because the problem was not only in guaranteeing growth, which is undoubtedly necessary in all development strategy, as argued by World Bank economist Bourguignon (2004). The problem is also a problem of redistribution, just as food security, how to make sure that everyone will actually take part in the growth process and enjoy a share of the economic pie, and avoid that the gains from growth will be mainly concentrated into the hands of few, which is actually what happened during the era of the trickle-down economics, which saw a significant increase in inequality, and still continues to happen today.

Of an opposite view from the trickle down economics, which was very popular during the 1980s and 1990s, there was a whole new conception of poverty linked to human development, introduced by two of the most authoritative thinkers of the 20<sup>th</sup> century: Amartya Sen, whose thought has already been discussed in the previous part of the chapter, and Mahbub UI Haq, both political economists who developed a concept of human development that comprised several factors, beyond mere income.

To measure such new concept, Sen and UI Haq developed a multidimensional index, the Human Development Index that measures development against important components such as health, education and income, with each having the same importance as the others. As Amartya Sen points out, life expectancy in Sri Lanka in 1980 was higher than in South Korea, a country with per capita income five times higher, and life expectancy in Kerala (72) is closer to the American life expectancy at birth (76) rather than the Indian one (61), so as Sen remarks, it is pointless to be economically developed and escape the poverty trap if one is deprived in health as a consequence. Therefore, a more articulated concept of development and poverty was introduced, more in line with the multidimensionality of human well-being, a concept that would move from mere monetary indicators to develop one that could embrace a more comprehensive approach to human development and to what it really means to tackle poverty, as poverty is a very complicated issue, the sum of deprivations on many levels.

According to Amartya Sen's capability approach development is considered as an expansion of human choices and freedoms, such as the freedom to live the life that everyone deems worth living. The capability approach is based on two assumptions: first, that the possibility of reaching a decent level of well-being of

primary moral importance, and second that the well-being of individuals is based on people's capabilities, that is to say the real opportunities that one has to do what he or she deems as important and worth living. For this groundbreaking new vision of human development, Sen was awarded the Nobel Prize in 1998, for all his important work in welfare economics.

The Human Development Index has been adopted by the United Nations Development Programme ever since and it has paved the way to some of the most significant work on human poverty and development. It has also inspired important work by other scholars in developing new multidimensional indexes, such as the paramount work carried out by Sabina Alkire and James Foster, who together developed the Multidimensional Poverty Index (MPI) replacing the Human Poverty Index (HPI). Just as development, poverty as well is a multidimensional phenomenon, reflecting the multidimensionality of human well-being, and the new index, the MPI, considers deprivations across the same dimensions used to obtain the HDI, showing the number of people who are multidimensionally poor, and in what dimensions they are poorer.

As can be clearly inferred from all this, is that at around the turn of the millennium, a revolutionary change took place, introducing a new conception of human life, a more holistic vision of human life and well-being, a vision derived without any doubt from philosophy and political theory, which considers human life and well-being on many levels, and essentially, opposes the mainstream vision of homo economicus defended by the main financial institutions.

Several attempts to actually define what is poverty were also carried out by the World Bank after the trickle-down economics period, with *Voice of the Poor: can anyone hear us?*, an effort by the World Bank during the 1990-2000 to hear how the

people that experienced poverty actually conceived it. What appeared clearly was that few people actually conceived it as a mere monetary deprivation, but poverty was different things to different people: it was the inability to think and make projects for the future in Ecuador, food insecurity in the Philippines, lack of education in Nigeria and the fear of violent death in Brazil. Poverty is with no doubt made up by interlocked dimensions, on the bottom of which there is the lack of food. But food insecurity is not the only issue at stake: as explained by Sabina Alkire (2017), poverty also comprises powerlessness, voicelessness, dependency, shame and humiliation. The poor usually lack access to basic infrastructure such as roads, transportation and clean water. They see education as the most powerful escape from poverty, and fear poor health and illness. What appeared clearly from the effort made by the World Bank at the turn of the Millennium is that the poor rarely speak about income but rather they speak of assets, and consider physical, human, social and environmental vulnerabilities as dimensions of poverty. In 2000, also the IMF stated that poverty was powerlessness and voicelessness (IMF, 2000), lack of agency. Nowadays, as it appeared clearly in the world survey 2013 *A million of voices: the world we want*, the idea that poverty is more than a mere deprivation of income is clear to most people: people still consider education, health, water and sanitation and gender equality as important in the fight against poverty.

The new approach to poverty, mirroring a multi-dimensional vision of well-being was endorsed by several factors, for example the improvements in technology, which opened the way to a more complex type of data analysis, and the higher availability of data. As a matter of fact, since 1985, multi-topic household surveys have increased, as well as census surveys and income and expenditure data. Moreover, several different, multidimensional indexes have been created, reflecting

the multidimensionality of well-being: among such indexes we can recall the HDI, the Canada Index of well-being, the Beyond GDP initiative, the Doing Business Index, the Global Peace Index, Good Governance Index, Transparency International, Mo Ibrahim Index, just to name the most common (Sabina Alkire, 2017).

Also in Europe, where due to the Great Recession and the austerity measures endorsed there has been a surge of new poverty, it has been shown that income poverty does not closely proxy material deprivations. For this reason, the EU 2020 initiative has been created to overcome multidimensional poverty, focusing on five main issues, proving the multidimensionality of poverty: employment, research and development, climate/energy, education, and social inclusion and poverty reduction.

As it is clearly reflected by what has been explained thus far, growth is not an end to itself, nor is it an indicator of poverty, as stated by the Growth Commission Report in 2008. The relevance of growth is still debated as underlined by Sabina Alkire (2017) as there appears to be no correlation between growth in GDP and non-income MDG's. All relevant poverty measures should therefore tackle the multidimensional nature of poverty, as underlines both in the first of the SDG's (reduce poverty in *all its forms*) and by the Resolution of the UNGA A/RES/69/23 of December 19<sup>th</sup>, 2014. In 2016, the Atkinson Commission Report as well called for multiple monetary indicators and for the need of a global Multidimensional Poverty Index to reflect the multidimensionality of poverty.

In spite of all this significant work and the progress that has been done so far in the fight against poverty, and which has managed to provide a more articulated definition of poverty as a sum of deprivations on many levels, which in its turn reflect more complex actions and policies, great challenges still lay ahead. As shown by the

recent financial crisis which lasted from 2007 to 2014<sup>9</sup>, it is no longer possible to talk about poverty alone, in itself. While the fight against poverty seems within reach, the new challenge which is threatening our modern democracies, the developed world is inequality, which is tightly connected to poverty, as it threatens to set back the astonishing progress made in the fight against poverty and hunger. From the turn of the new millennium, inequality has taken central stage in the development policies: while poverty steadily decreased as a result of both China's struggle for economic growth and the development policies targeted at reducing poverty (many initiatives such as loans at very low interest rates to fund development projects and conditional cash transfer just as examples), inequality levels have increased dramatically, especially during the financial crisis 2007-2014. Many and complex are the reasons behind this increase in inequality experienced in the Western democracies roughly in the last two decades: most scholars agree that globalization has definitely been one of the main causes of inequality, yet other explanations can be found in a more capitalist society, in rent-seeking behavior and corruption perpetrated by civil servants, tighter access to loans during the financial crisis, due to the necessity by commercial banks to protect themselves from non-performing loans, lower interest rates for those with good collateral to obtain loans (usually those who are already wealthy, the big financial groups), the concentration of power into fewer larger groups, just to name a few.

That inequality is definitely the new challenge of the century appears clear when examining the new agenda of the United Nations for the 2015-2030 period: while poverty is still set as goal number 1, showing the importance of eradicating it, the goal set is no longer to reduce or halve it, but to completely eradicate it, end it in

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<sup>9</sup> As pointed out by Morlino and Quaranta (2015), the financial crisis formally ended in 2014, as shown by World Bank and Eurostata data, as in this year there is a relevant change in the available data.

all its forms. For the first time in history, there is the clear perception that absolute poverty, defined in 1995 by the United Nations as: *severe deprivation of basic human needs, such as food, drinking water, shelter, sanitation, health, education and information* (here it appears clear that poverty is a multidimensional issue) can finally be ended, as proof of the important work that has been carried out so far.

On the contrary, inequality appears as goal number 10, to reduce inequality within and among countries, but the concept of inequality is present in other goals as well, such as goal 4 and 5, which aim at reducing gender inequality and ensure equitable education for all people. Inequality seems the new challenge of the millennium: for the first time since the end of the Second World War, the Western countries are becoming poorer, and losing all the possessions and rights they fought to get during the 20<sup>th</sup> century, while a small minority of people, the 1%, is getting richer and richer, taking advantage even of the resources which were originally meant to restart the economy and get out of the financial crisis 2007-2014.

Inequality started to get central stage in the year 2010, when the United Nations introduced the Inequality Adjusted Human Development Index, which takes into account inequality across population (it is important to remark that inequality in this case is considered in all forms, in outcomes and opportunities: inequality of income, gender, access to education, etc). Some may argue that inequality is not a new phenomenon, as indicated by a measure that has existed since 1912, the Gini coefficient. However, as seen so far, the Gini coefficient only measures differences in income across a population, but it does not take into account the different types of inequality and all the different problems that contribute to poverty and inequality (such as poor health, poor education, limited access to resources, credit, etc). With the Inequality Adjusted HDI, there was a strong signal by the International

Community showing attention for what was becoming the new challenge of the Millennium. Since the turn of the Millennium many scholars have focused on inequality, for its strong impact on the Western democracies: the World Bank, which defended growth at all costs for a long time and based all its financial aid programs on this belief (believing that simply by promoting economic growth, the positive effects would trickle down and everyone would be better off, and poverty and inequality would be defeated), implemented a new indicator, called the shared prosperity, which focused on the bottom forty, the lowest 40% of the population to see how they are growing compared to the top twenty percent. Obviously, this as well represents a very strong signal on what are nowadays considered as priority on the development agenda. Branko Milanovic (2010), with his articulated background on inequality, argues that the Gini coefficient for the world can be as high as 0.7, which is very high, and implies that currently 9% of the world population receives one half of global income (or consumes half of goods and services) and the bottom half gets 7%. Thomas Piketty (2013) argues that the rate of capital return in the developed world is constantly higher than the rate of economic growth, and defends this as the real cause of wealth and inequality, and all the other types of inequality that derive from it. As a matter of fact, wealth inequality in return generates discrimination, corruption, injustice, rent seeking behavior, and eventually this endangers democracy. Joseph Stiglitz (2012) warns about the dangers of inequality for Western democracies, especially for the United States, which has become one of the most unequal countries in the world. One recent study by commercial bank JP Morgan Stanley<sup>10</sup> published in December 2015 ranks the United States among the five most unequal countries in the world, preceded by the countries of Southern

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<sup>10</sup>JP Morgan Stanley is a private commercial bank and the fact that a commercial bank is researching inequality shows how much relevance the matter has acquired.

Europe (Portugal, Italy, Greece and Spain), according to a composite indicator developed by the commercial bank, which comprises Gini coefficient, wage dispersion, workplace inclusion, forced part time, health status and digital access, as per the following table:

Table 1: JP Morgan Stanley Index of Inequalities

**Exhibit 3: Summary of Selected Inequality Indicators**

	MS Inequality Indicator (MSII)	Gini Coefficients	Wage Dispersion				Balance Sheet		Workplace Inclusion			Health Status	Digital Access
			Change in Gini Coefficients %	Real Wage Growth %	Earnings Dispersion	Gender Pay Gap	Mean to Median Net Wealth	Median Debt to Income %	Secondary Education Unemployment %	Involuntary Part Time %	NEET %	Gap in Health Status %	Internet Access %
Portugal	1	34	-6.3	-0.5	4.1	16	2.0	134	14.3	3.2	17.3	25	65
Italy	2	33	4.4	-0.1	2.3	11	1.6	50	8.8	6.6	26.1	14	62
Greece	3	34	2.1	-1.7	3.0	7	1.4	47	26.3	3.2	28.5	17	63
Spain	4	34	2.3	0.4	3.1	9	1.6	114	23.0	5.8	26.8	15	76
United States	5	40	6.1	0.7	5.1	18	7.2	133	8.2	1.0	16.0	22	87
Germany	6	29	0.6	0.6	3.4	17	3.6	37	6.9	2.8	9.7	25	86
Australia	7	33	-3.0	0.9	3.5	18	1.6	96	5.2	5.2	13.0	17	85
Austria	8	28	-2.8	0.5	3.3	18	3.6	36	6.0	2.2	9.6	27	81
Ireland	9	30	-0.3	1.9	3.9	13			12.3	5.6	19.2	15	80
Canada	10	32	-0.9	2.0	3.8	19	2.2	161	6.8	3.2	12.4	15	87
Poland	11	30	-5.6	1.2	4.1	11			8.3	1.4	17.0	17	67
United Kingdom	12	35	-2.8	-0.3	3.5	17	1.8	11	4.5	3.4	15.6	19	92
Japan	13	34	2.0	0.0	3.0	27			4.8	3.8	7.2	11	91
France	14	31	4.4	0.9	3.0	14	2.0	50	8.0	4.6	16.3	13	84
Switzerland	15	28	-1.3	1.1	2.7	19			5.6	1.9	9.0	20	87
Belgium	16	27	-5.0	0.2	2.5	6	1.7	80	6.5	1.5	14.9	30	85
Netherlands	17	28	-5.8	0.7	2.9	20	5.0	194	5.9	3.6	8.9	20	93
Finland	18	26	-2.8	0.9	2.6	19	1.9	64	7.6	2.2	12.3	26	92
Sweden	19	27	5.7	1.6	2.3	15			5.9	4.8	9.4	21	93
Norway	20	25	1.0	2.3	2.4	7	1.9	180	3.6	1.0	9.1	20	96

(Source: JP Morgan Stanley, 2015)

This is a very strong signal of where the next challenge and attention will be in the future: inequality is no longer considered only as a moral issue, an issue concerning ethics, but involves economic, social and political aspects. What appears

more and more clear is that inequality not only threatens the stability of the financial system, but appears also as a challenge to democracy and social order, due to its widening ramifications such as injustice, corruption, limitation of personal freedom and development, and a general and constant eroding of the social fabric of a society.

Poverty and inequality are both enormous challenges, they are strictly linked and one feeds the other. However, as indicated by many scholars, while poverty only tells what is happening to the poor, inequality shows that the problem is not with poverty in itself, but with redistribution, just like for food security. Inequality looks at what is happening to the whole selection. Poverty is strictly connected to inequality, but it only shows one side of the story, while inequality shows how the wealth of a society is distributed, and shows where particular efforts must be made, and where policies must be targeted at. While poverty seems as a won battle on many levels, especially due to the efforts made during the last century, inequality is on the rise, it can be seen everywhere, with a few people, the 1% getting richer and richer and consuming goods and services, having access to the best opportunities, and creating a more unjust world. Poverty may or may not be present, but inequality is the real danger for the developed world and the new challenge to tackle. During the research, poverty will constantly be monitored while analyzing data on inequality, to examine the relationship between poverty and inequality, to see what is happening to our societies in all aspects, when there is poverty and when there is inequality.

## 1.5 Inequality and democracy or democracy and inequality?

In 1762, Jean Jacques Rousseau in his *Social Contract* stated that democracy can only exist in a society *where no citizen is wealthy enough to buy another and no-one poor enough to be forced to sell himself.*

The connection between inequality and democracy is certainly more complicated than what one might think. As we have seen throughout this chapter, inequality takes a very high toll on the democratic structure of a society; Joseph Stiglitz (2012) warns about the skyrocketing inequality of the United States, the impact that inequality is having on the middle class (which is disappearing as a result) and the increase in rent-seeking behavior that inequality is encouraging. Yet, the question might be more complicated than this, and we might need to go further into the issue and research how different political regimes impact inequality. But what if the question was more complicated than this and the type of democracy that we have created was actually encouraging inequality? How do different procedural aspects in a democratic regime impact inequality? Do they favor or oppose the rise of inequality? Currently, mainstream research in economics is focusing on the impact of inequality on the economy as well as on the democratic fabric of a society. Yet, it might also be interesting to determine whether we can conclude that a particular type of political regime, with its procedural aspects might have an impact on social and economic inequality.

Analyzing the complicated relationship between inequality and democracy, trying to determine which one impacts the other and in what way, is without any doubt a difficult task. Just as we have seen for inequality, democracy is a very complicated issue as well, with different definitions and different scopes. As Morlino points out in his *Changes for democracy* (2011), finding a suitable definition for

democracy is particularly relevant in a context in which democracy has become the only game in town. A minimalist definition, Morlino argues, is particularly important as it allows to understand when in a transitional period a regime turns into a democracy or is close to turning into it. Morlino underlines how the debate on a possible definition of democracy which raged during the 20<sup>th</sup> century and especially after World War Two focused on either form or substance, with the conclusion that form, or rather procedure was to be preferred to substance. The notion of procedural democracy focused on the relationship between freedom which translated into civil and political rights, and equality. Very interestingly for the sake of our discussion on inequality, in his 2011 work Morlino stresses that what emerged clearly from the comparison between Western and Eastern Europe was that no kind of equality can be achieved if there is no actual guarantee of civil and political rights as a prerequisite.

A procedural definition of democracy was first introduced by Schumpster in 1942 (Morlino, 2011): *The democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote.* Therefore, the minimalist definition of democracy by Schumpster is set in the electoral system, in the vote. Morlino points out that this procedural definition was very prominent still during the 1970s, and accepted by mainstream political science.

In 1969, Sartori produced a more complex definition of a democracy as: *an ethical-political system in which the influence of the majority is entrusted to the power of competing minorities, which secure it through the electoral mechanism* (Morlino, 2011). In 1987, Sartori elaborated a new and more complex definition of democracy as the mechanism that (a) *generates an open polyarchy whose*

*competition in the electoral market, (b) attributes power to the people and (c) specifically enforces the responsiveness of the leaders to the led (Morlino, 2011).*

A more articulated and to some extent more viable definition of democracy came by Dahl in 1989, who considers as democracy *all regimes that present the following five criteria: effective participation, voting equality, enlightened understanding, i.e. citizens have adequate and equal opportunities to learn about policy alternatives, control of the agenda, that is to say that citizens have the opportunities to decide which matters are placed on the public agenda, and inclusion of adult residents who enjoy citizenship rights* (Morlino, 2011). Compared to Sartori's definitions, the definition by Dahl is a more appropriate empirical description of political regimes, as Morlino points out, and allows to work better empirically with such definition.

Departing from the more viable definition by Dahl of 1989, Morlino (2011) points out that a more suitable definition, should include the following: free, fair, competitive, and recurrent elections; a decision-making and governing body elected with the above-mentioned norms, usually corresponding to a parliamentary assembly; a prime minister and a government that are answerable to parliament or are the result of direct election by the electorate; a set of intermediary structures represented by political parties and interest groups; apart from all the bureaucratic structures (public administration, magistracy, armed forces, police, etc.) which continually interact with the directly elected democratic structures.

However, in order to work empirically with the best possible definition, a minimalist definition should be reached. As Morlino (2011) points out, the best possible minimalist definition is the one inspired by Dahl in 1971, according to which *a regime is considered democratic if it has at least the following: (a) universal male*

*and female suffrage; (b) free, competitive, periodic, and fair elections; (c) more than one political party; (d) different and alternative sources of information.*

It is also important to notice that, as Morlino points out in his 2011 work, more complex definitions of democracy have been produced after Schumpeter, Sartori and Dahl, such as *deliberative democracy* (Cohen, Habermas, Dryzek, Boham), *associative democracy* (Hirst), *egalitarian and social democracy* (Rawls, Ringen), just to include some of the most common definitions of democracy, which show how complex the issue is.

Throughout this doctoral thesis, a procedural definition of democracy, which emphasizes practices and institutions that characterize democratic regimes will be used, as such a concept of democracy is to be preferred, as it more closely approaches the classical definition of government by the people. Procedural democracy focuses on the relationship between what people want, and how the government responds to such wishes in a democratic way.

After briefing touching upon the complexity of a definition for democracy, for the the purpose of the research, it important to introduce the definition elaborated by Morlino in 2011, as such definition will be the one adopted to carry out the data analysis in this thesis. While there cannot be a maximum conception of democracy, as such option is not desirable, we can take Morlino's definition as the other end of the spectrum, from Dahl's minimalist definition to Morlino's definition of democracy, as stated in 2011.

Morlino distinguishes 8 basic dimensions such as: *rule of law, electoral accountability, inter-institutional accountability, political participation, political competition, freedom, solidarity/equality, and responsiveness*. Each dimension has a set of sub-dimensions as listed in this table:

Table 2: Quality of Democracy

<u>Dimensions</u>	<u>Sub-dimensions</u>
Rule of Law	
	Individual security and civil order
	Independent judiciary
	Institutional and administrative capacity
	Integrity and absence of corruption
Electoral Accountability	
	Free, fair and recurrent elections
	Freedom of party organization
	Presence and stability of alternatives
Inter-Institutional Accountability	
	Legislative-executive relations
	Constitutional or Supreme court
	Modes and extent of decentralization
	Plural and independent information
Participation	
	Opportunities for participation
	Electoral participation
	Party membership
	Social participation
	Non-conventional participation
Competition	
	Competition among actors
	Opposition strength
	Fairness of political competition
Freedom	
	Personal dignity
	Civil rights
	Political rights
Equality	
	Distribution of resources
	Existence of economic discrimination
	Social, security, and cultural rights
Responsiveness	
	Confidence in institutions
	Perceived satisfaction with democracy

(Source: Morlino, 2011)

Although not all dimensions and not all subdimensions of the definition of democracy by Morlino will be used during the course of the research, it is important to already start familiarizing with such definition, as some of these dimensions and sub-dimensions will constitute the backbone of the research.

As it appears from this brief description of the definitions of democracy, democracy itself is a very complex issue, with different definitions according to form or substance, and a broad scope. Trying to examine its relationship with inequality, which is another complex issue with many definitions according to the dimension we choose to consider, is certainly a difficult task. Yet, we might be guided by anchoring ourselves to empirical definitions such as the minimalist one by Dahl and the one by Morlino.

In mainstream research at the moment, much attention, as we have already seen, is devoted to the impact that inequality, both at social and economic level, has on democracy, according to the definition of democracy that we choose to adopt. Yet, before the process of democratization of the 1980s, much attention was being given to the impact that a political regime had on inequality. Many scholars were focusing on the effect of democracy on inequality, with the classical doctrine (authors such as Bobbio and Sartori) affirming that in order to promote equality, it was necessary to have a certain degree of freedom. Other scholars, as underlined by Carbone (2008) and Grassi (2010), report that the impact of new democracies short term might be quite different to the impact long term, and it takes the democracies quite a long time to see its effects. Some scholars have reported that it takes a new democracy six months to complete its process of constitutional reform, six years to see the effect of economic reforms and pick up of the economy, and sixty years to provide the social foundations which transform the constitution and the economy

(Grassi, 2010), while others believe that at least 20 years might be necessary to see an egalitarian effect (Muller, 1988).

As we have seen through this brief section on the relationship between inequality and democracy and democracy and inequality, the relationship between the two is quite complicated and deserves further research, based on the definitions of democracy and inequality that we choose to adopt.

## 1.6 The current literature on inequality and democracy

As seen thus far, in recent years, mainly from 2010, when the United Nations introduced the Inequality Adjusted HDI, inequality has gained central stage at every possible level. The introduction of the Inequality Adjusted HDI, as opposed to the the Gini Index which only considers income inequality, is most likely the result of a phenomenon that had been growing since the mid 1970s, but which skyrocketed with globalization, since the 2000s, and then grew even further during the financial crisis 2007-2014.

The public cry against inequality and its ramifications, both at economic, social and political level, has spread loudly both among public figures and among some of the most authoritative and competent scholars in the academic world. As briefly explained in the previous sections, one of the most outspoken scholars on inequality is Branko Milanovic, who has produced a large volume of research on inequality first as lead economist of the World Bank and now as an independent scholar. In 2010, Branko Milanovic published a thorough work on inequality, *The Haves and the Have Nots*, where he sends a powerful message about inequality. Summing up the important work by Milanovic, who has studied inequality since the 1990s, for the most part, income and global status are not factors that can be controlled by education, personal effort, hard work, but are mostly already determined at birth by citizenship and parents' income (as said in the beginning, inequality is self-perpetuating, a mechanism that protects itself). Milanovic (2010) remarks how through personal effort one can certainly move up the social ladder within the country, but it will do little to battle global inequality, which for Milanovic is the real threat to a fairer distribution. Moreover, if a country is not faring very well at global level, but it lags behind, it will be probably even harder to fare well within the

country, in a time in which the top 1.75% (this figure refers to 2010, it is most likely correct to talk about 1% nowadays) is earning more than the bottom 77% of the world. Milanovic believes that inequality within countries is not as bad as one could think, as more or less everyone gravitates around the same level of subsistence, and a gap between rich and poor becomes possible due to the availability of new technologies that make the differentiation of skills possible for all citizens. What Milanovic is really interested about is between countries inequality. As he remarks, the poorest citizens of Denmark are richer than 82% of the world citizens, whereas the richest citizens in Uganda, Tanzania and Mali are just around the 70<sup>th</sup> percentile, which basically means that all citizens in Denmark are richer than all the citizens in Uganda. Among-nations inequality, argues Milanovic, has skyrocketed in recent times, and has become a global issue, an issue of economic, social and political impact, but also of moral and social justice. Milanovic (2010) proposes a series of policies to correct the imbalance, arguing that growth in poor countries certainly helps, but it would require a better redistribution of income between the nations. Milanovic considers migration as the most powerful tool to reduce inequality, as citizens of poor countries will be able to move to richer countries to acquire better opportunities to move ahead in society. Milanovic sees migration fluxes as the result of failed growth in some areas of the world such as Africa, South and East Asia and Latin America.

In 2009, Wilkinson and Pickett produced an extensive work on poverty and inequality, where they argue that while poverty is still present in most countries, the real challenge nowadays is inequality, to which the authors attribute a long list of health and social problems such as level of trust, mental illness (including drug and alcohol addiction), life expectancy and infant mortality, obesity, children's educational

performance, teenage births, homicides, imprisonment rates and social mobility. The authors also remark how inequality could cause poverty by causing a wrong allocation of resources (spent to purchase assets which show higher social status rather than food for example) in order to escape the social stigmata of inequality. While it is true that poverty may cause inequality, inequality definitely causes poverty, as it causes serious conditions such as health conditions (anxiety, obesity, mental diseases) which further reduce the possibility to improve the social status of a person.

In a 2011 seminar, Richard Wilkinson presents evidence of how inequality harms societies. He remarks that although, as seen during this chapter, the idea that inequality is harmful and not only morally unjust has been around since the French revolution, we now have the data to corroborate this statement. For example, when looking at the following graph, we might notice that there is no apparent relationship between life expectancy and Gross National Income between countries, as for example Norway and the United States have twice the GNI of Israel and Portugal, but there seems not to be any correlation:

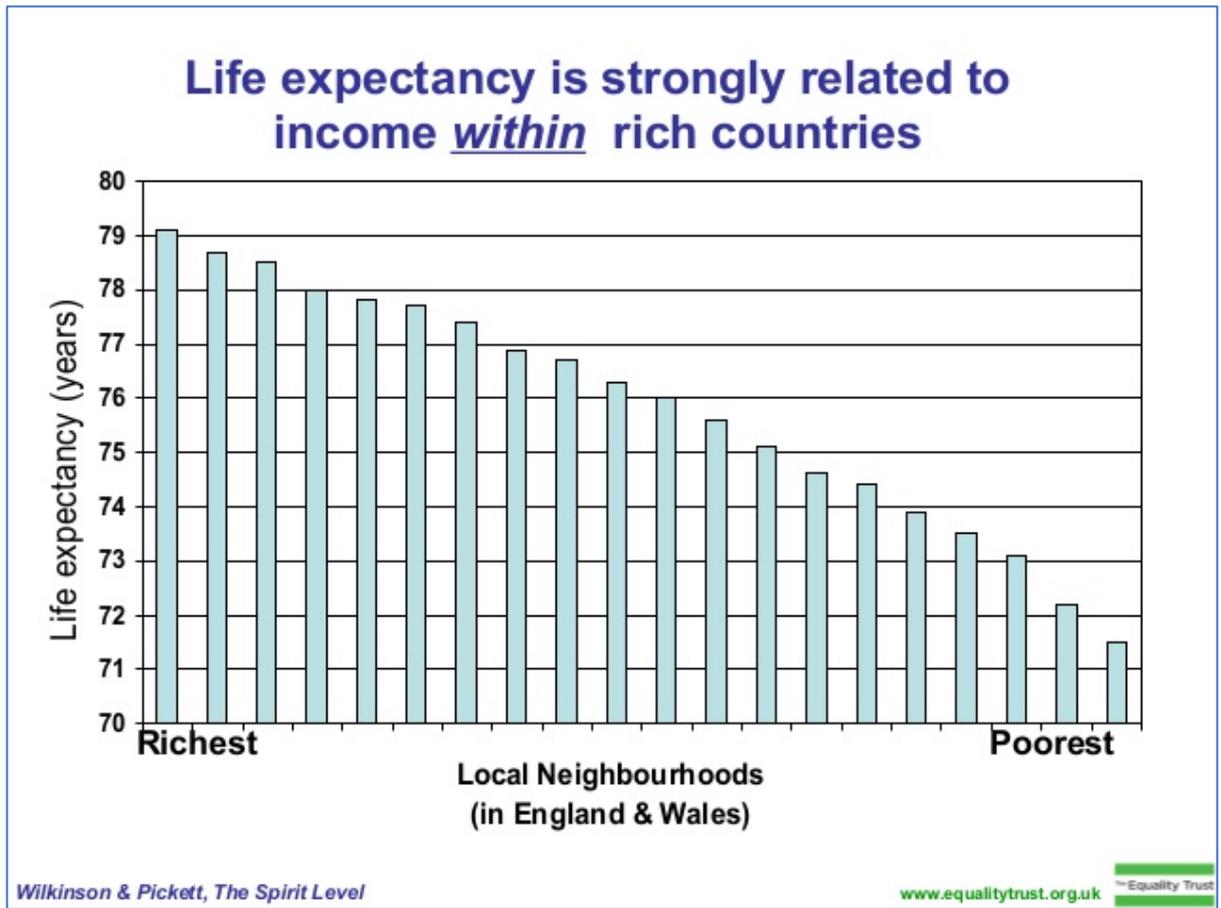
Graph 3: Life Expectancy and GNI



(Source: Wilkinson, 2011)

Yet, Wilkinson remarks, there are substantial differences in within countries, inequality between the top 20% of a society and the bottom 20% of a society, as shown by the next graph of within countries income, where it clearly appears that the richest segments of a society in England and Wales have a much higher life expectancy than the poorest segment:

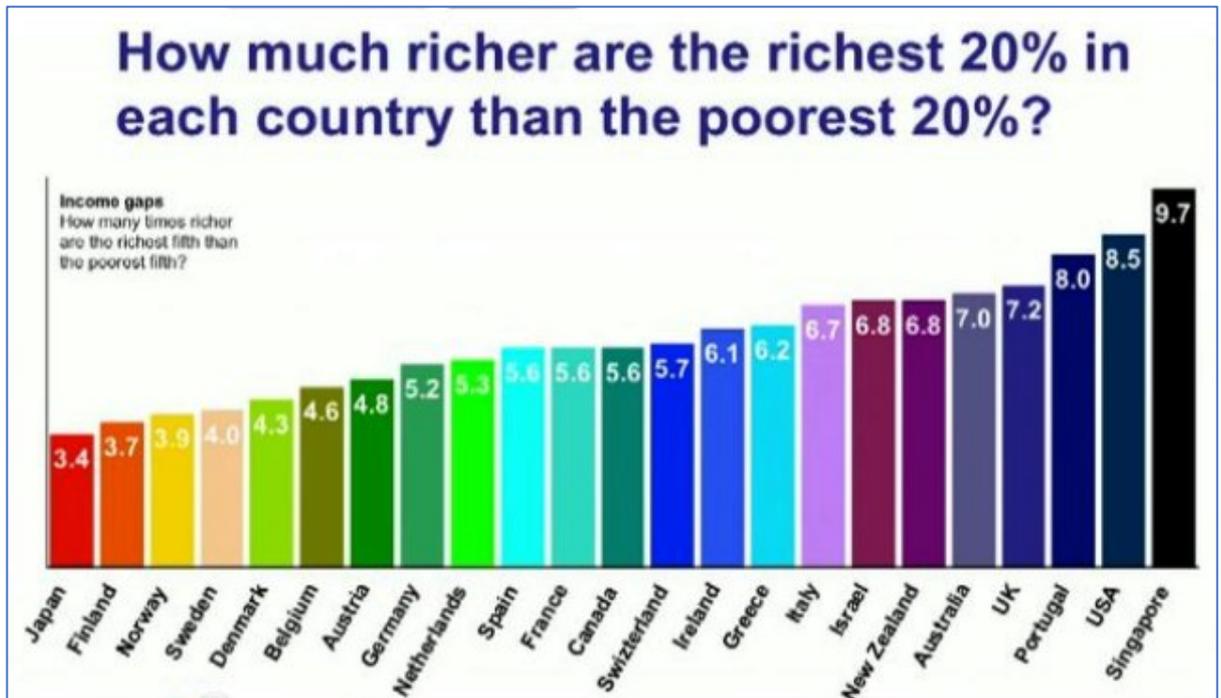
Graph 4: Life Expectancy and income in England and Wales



(Source: Wilkinson and Pickett, 2009)

Wilkinson remarks that differences become obvious when we look at relative poverty within society and we expand it at global level: we then see the real extent of the problem of inequality (income inequality). As the next graph shows, there are enormous differences of inequality within countries and among countries. In the countries on the left which are more equal, the richest segment of the society is about 3.5 times richer than the lowest 20%, while on the more unequal end, we find countries like the United Kingdom, Portugal, the United States and Singapore, which are around 7 to 9 times richer than the bottom 20%:

Graph 5: Gap between the top and lowest 20%

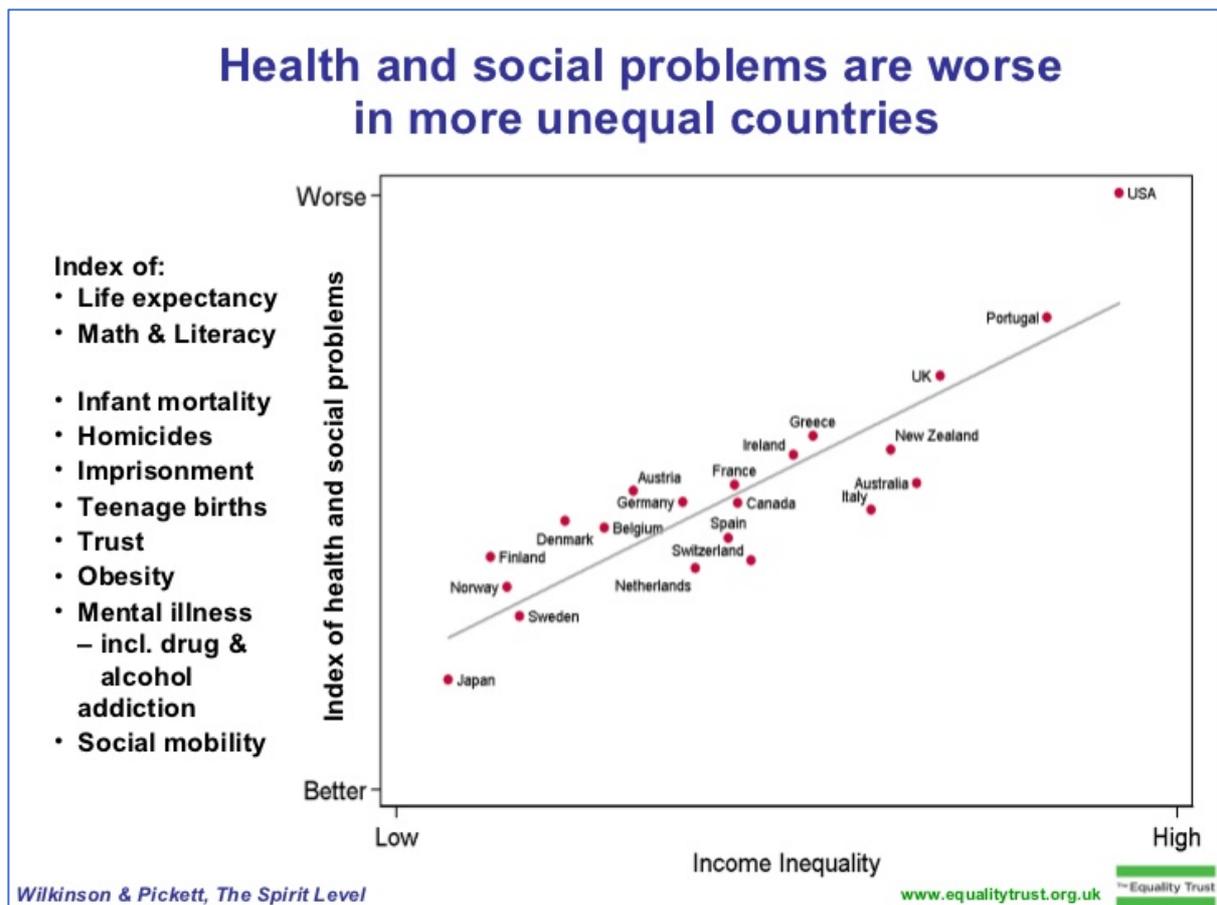


(Source: Wilkinson and Pickett, 2009)

As Wilkinson remarks, all this inequality is harmful towards a society. Throughout their research Wilkinson and Pickett (2009) developed an index of health and social problems<sup>11</sup> and found a strong correlation between the index and inequality, to show that countries with higher inequality are fertile ground for social and health problems, with the more unequal countries doing worse in all this social problems, as shown by the next graph:

<sup>11</sup> The index includes life expectancy, math and literacy, infant mortality homicides, imprisonment, teenage births, trust, obesity, mental illness (including drug and alcohol addiction, social mobility)

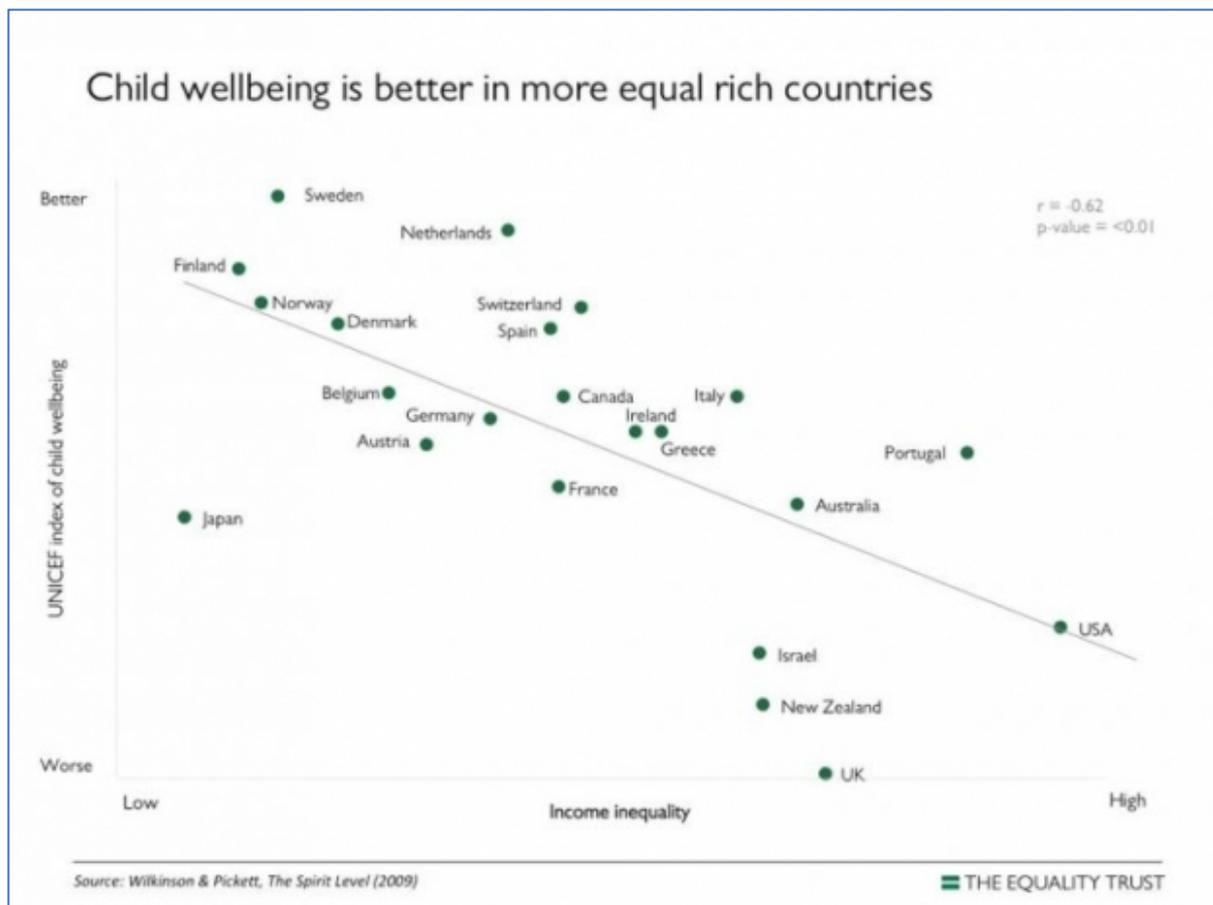
Graph 6: Health/ Social problems and income inequality



(Source: Wilkinson and Pickett, 2009)

Interestingly enough, Wilkinson (2009) remarks that if one correlates the same health and social index to national income per person, none of the information collected in the above graph is present anymore. To respond to criticism that the research carried out could be biased, Wilkinson presents the UNICEF index of child well-being and correlates it to the same measure of inequality. Not surprisingly, the graph shows, once again, that children suffer more in the more unequal society:

Graph 7: Child Well-being and Income Inequality



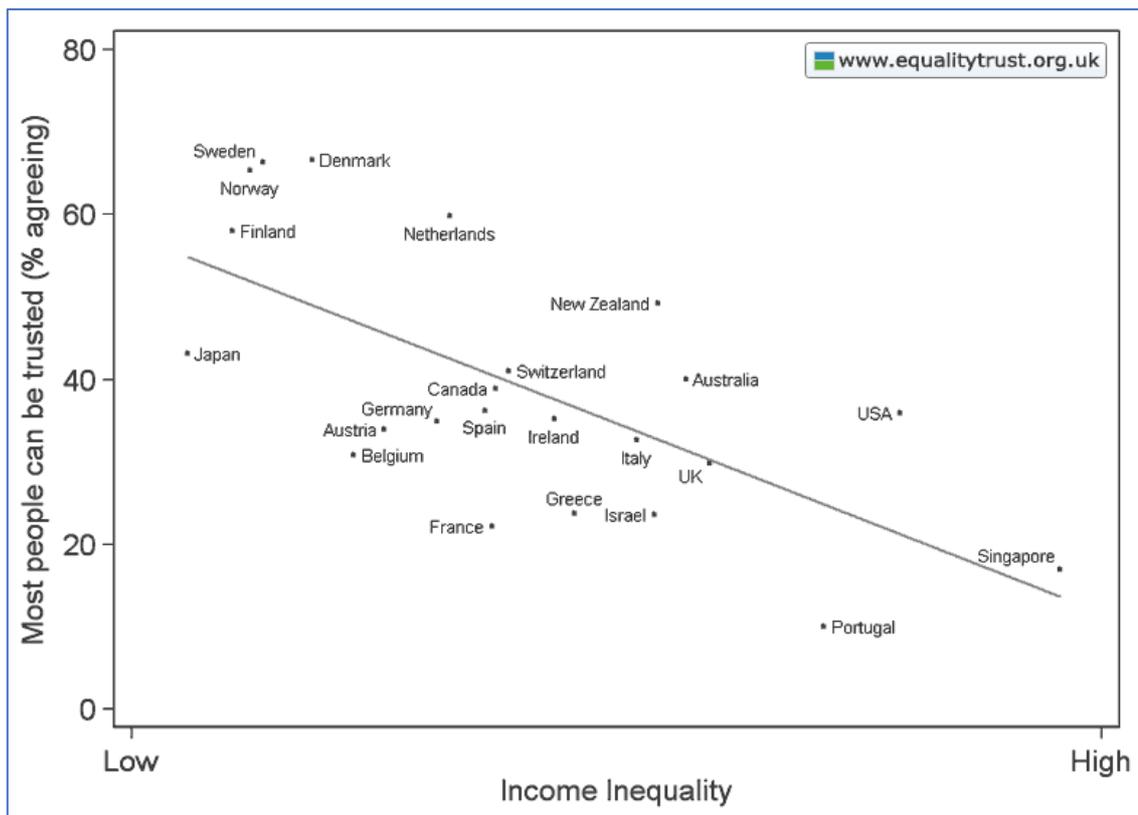
(Source: Wilkinson and Pickett, 2009)

Again, if we compare the UNICEF index to national income per person, there is no suggestion of a relationship. This is a very important statement, as data suggest that average well-being is no longer dependent on growth or income, which is still very important in very poor countries, but not in the developed world. According to Wilkinson, what really matters in more advanced societies is where we are in relation to others, inequality versus equality is the real issue in our society.

In order to provide further information on the impact of inequality on our society, Wilkinson provides further analysis on the level of trust, mental illness and

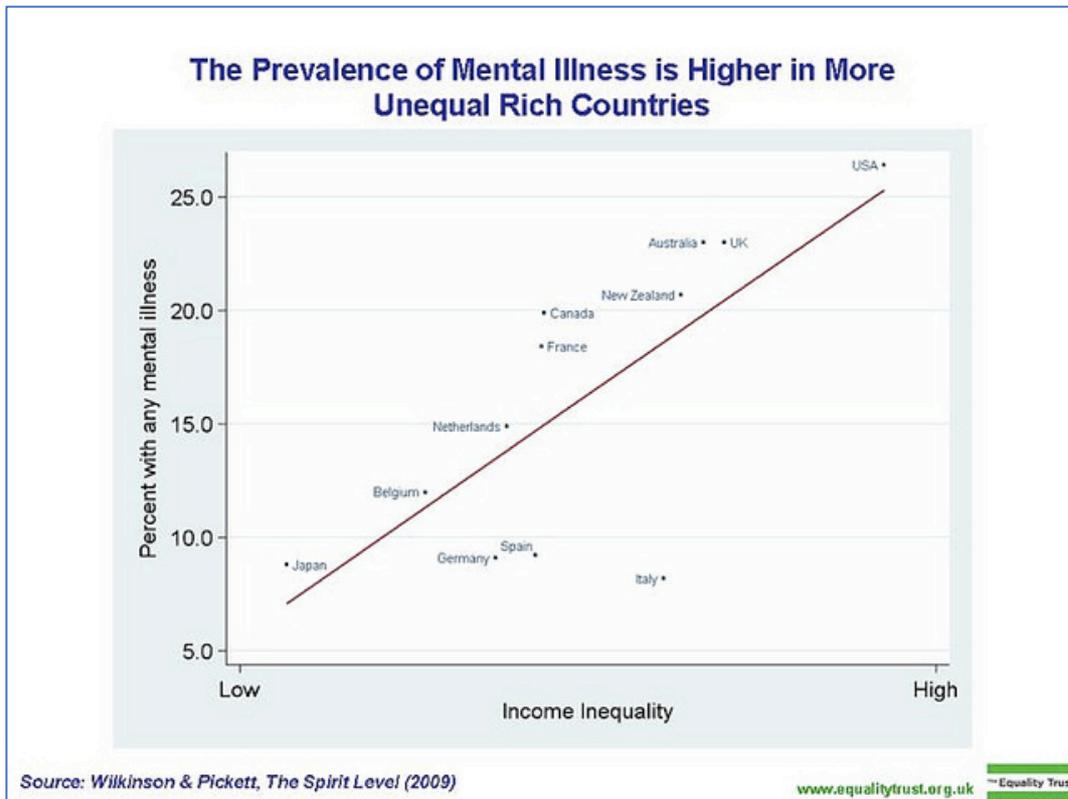
proportion of people in prison in equal versus unequal societies, showing that data consistently prove that the more unequal societies fare much worse in every possible indicator, as shown by the next three graphs below:

Graph 8: Level of trust and Income Inequality



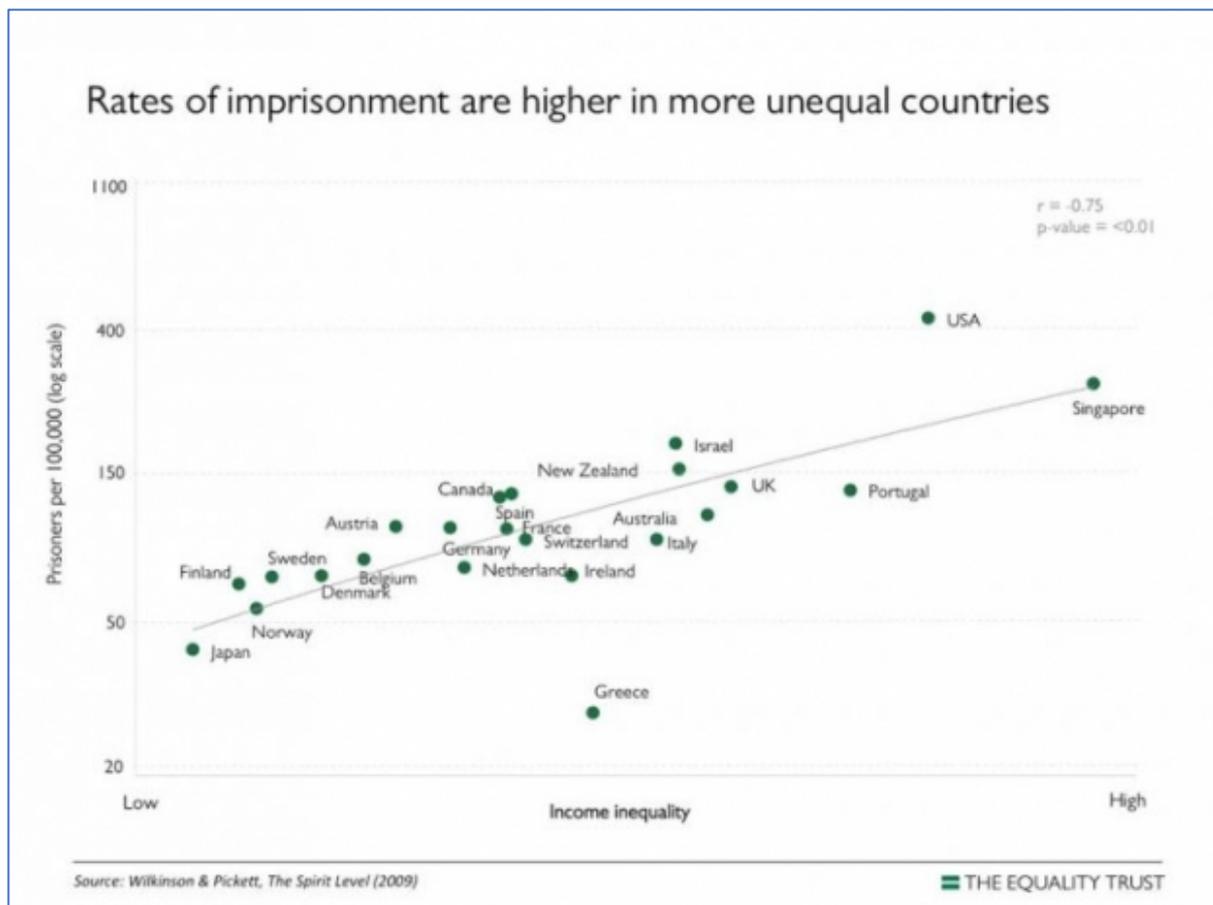
(Source: Wilkinson and Pickett, 2009)

Graph 9: Mental illness and Income Inequality



(Source: Wilkinson and Pickett, 2009)

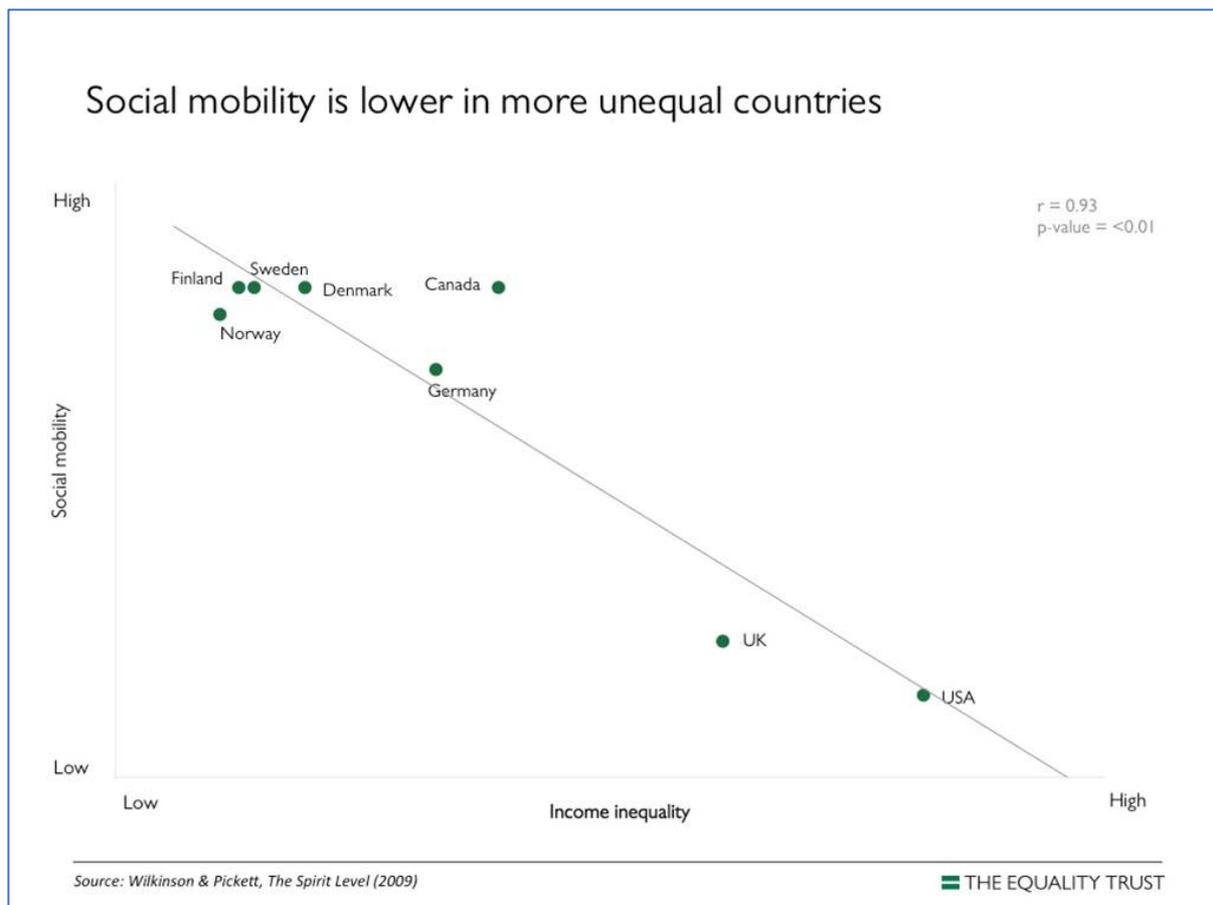
Graph 10: Rates of imprisonment and Income Inequality



(Source: Wilkinson and Pickett, 2009)

Moreover, Wilkinson (2011) shows that there is a strong correlation in social mobility between the income of the father and the income of the son, showing that social mobility is lower in more unequal countries. The assumption that father's income is much more important in more unequal countries like the United States and the United Kingdom, than in the Scandinavian countries, is proved by the next graph:

Graph 11: Social Mobility and Income Inequality



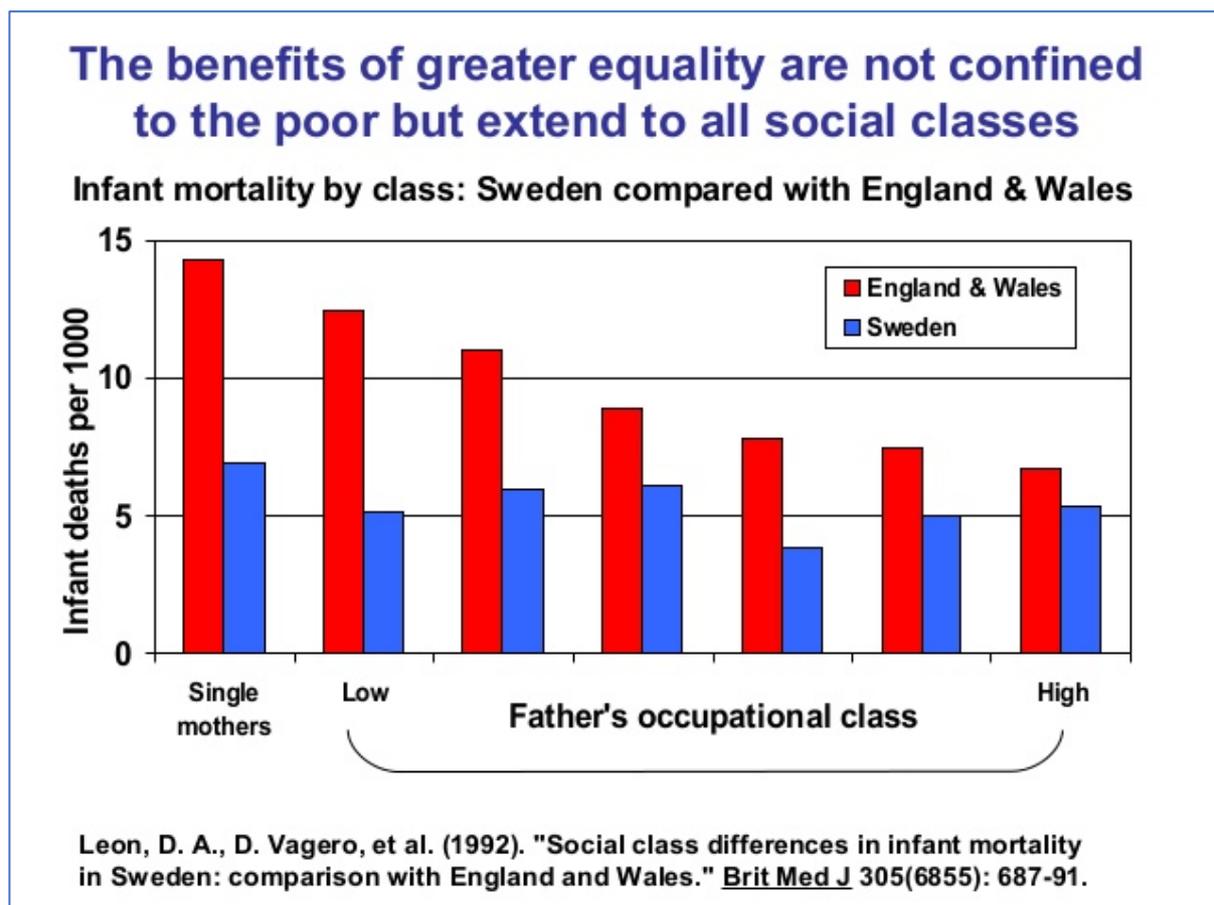
(Source: Wilkinson and Pickett, 2009)

As remarked by Wilkinson (2011), in graph after graph, data after data, it clearly appears that the more unequal countries like the United States and the United Kingdom fare much worse than the countries that are more equal. Wilkinson reports that among the countries that fare better, there are Sweden and Japan. The two countries have two different ways of ensuring greater equality: Sweden does so through taxation, given the fact that it has very pronounced differences in income, while Japan has smaller differences in earnings and ensures equality through

welfare system. Wilkinson remarks that it does not matter how countries get greater equality, as long as they are able to provide it.

Another important finding that appears from the research by Wilkinson and Pickett, highlighted by Wilkinson (2011), proving indeed that the saying by John Donne that no man is an island sounds actually very true, is that it is not only the poor who are affected by inequality. As shown by the graph on infant mortality, a more equal country like Sweden fares much better in terms of infant mortality in all social segments, than the more unequal United Kingdom:

Graph 12: Infant Mortality by class



(Source: Leon, Vagero et al., 1992 )

To conclude, Wilkinson remarks that inequality has some very important psycho-sociological implication, and it has to do with feeling valued or devalued in comparison to the others. Wilkinson highlights that this is the mechanism that drives consumerism in society, and brings about stress that raises the level of cortisol, as it represents a threat to self-esteem and social status. In this respect, it could suggest an explanation as to why violence is more common in more unequal societies, where people feel threatened to be judged.

As shown by this important research carried out by Wilkinson and Pickett (2009), inequality is more than just a mere difference in income, but it has very profound implications that involve human health, human psychology, sociological aspects. All of this, in the end, is what constitutes a democracy, the government by the people, more than just the mere possibility of voting.

In 2012, Joseph Stiglitz reported that inequality is taking a very high toll on our society, and that our modern societies are paying a very high a price due to the discrimination and stigmata that inequality is carrying with itself. According to the Nobel Laureate, the magnitude of inequality is not fully grasped, as inequality is bad both for the economy and for democracy, as it manifests itself in every aspect. Inequality is self perpetuating, as it creates rent seeking behavior, which is used by the political power to shape policies, to control the legislative and regulatory activity. Joseph Stiglitz firmly believes that the problem is not due to globalization or the technological changes, as they are not what has brought about the growing inequality currently experienced in the United States (currently, the United States is one of the most unequal countries in the world, with a Gini index as high as 0.4 for the year 2013).

Stiglitz remarks that since 1980, the share of National Income to the top 1% has doubled to 20%, which means that 1 out of 5 dollars goes to the top 1%, while in terms of wealth the situation is even worse, as the top 1% gets 40%. The situation is getting worse: since 1980, the GDP of the top 1% has tripled, and even during the Great Recession, in 2010, the top 1% got 93% of growth in economy.

According to the author, while there might certainly be economic reasons as well behind the growing inequality of the United States, the real culprit behind such skyrocketing inequality, which as we have seen in the beginning is not only in income, but in access to opportunities, in gender equality, etc., is to be found in modern politics, which have shaped the market to favor the 1%. As a matter of fact, in terms of opportunities, things are not much better, as the United States fares worse than most countries. For example, there is a high correlation between a child prospect of success and income and education of the child's parents. This inequality of opportunity will generate more inequality (in all aspects, inequality of outcome and of opportunity) in the future. Joseph Stiglitz argues that this level of inequality both in opportunities and outcome is not inevitable, as other countries have recovered and reached greater equality. Currently, one out of seven Americans faces food insecurity, which is an astonishing fact if one thinks about the level of development of the United States, proving that truly, inequality paves the way for poverty as well. Moreover, as Stiglitz remarks, inequality manifests itself in many ways, in health and life expectancy for example, especially in the United States, one of the few in the world without a public healthcare system.

The present level of inequality, Stiglitz remarks, is very dangerous as such a high level of inequality was only present in the 1920's, right before the Great

Depression, and could really have very dangerous repercussions on our modern society.

According to Stiglitz, rent seeking behavior is the real cause of the growing inequality, with the richest part of the society influencing politics to obtain the most favorable conditions, such as low taxation, favorable treatment by the government, power to shape monopolies, etc. Stiglitz identifies these conditions as morally wrong, and especially dangerous for the economy, as inequality causes more instability and hurts growth, just like it happened in 1929, with the Great Depression. The 1% in their search for more rents might actually be hurting the economy and making the economic pie smaller for everyone.

As a matter of fact, the economy redistributes from bottom to top, so this is reducing demand, as the top 1% save 20% of their income, while the bottom spends all their income, so if there are no politics helping the bottom and redistributing to the bottom, eventually demand is reduced and the economy and growth are hurt in this process. Moreover, in order to be strong, an economy needs a high level of public investment in services and education, but Stiglitz remarks, the 1% does not support high levels of public spending and public investment, as the 1% does not need it and sees government as a threat. As it clearly appears from this, the 1% is actually hurting the economy and growth.

Stiglitz also criticizes the belief that markets are genuinely good and that governments should not interfere with markets as this is not true: free markets are good as they boost competition, but should actually be regulated so that they can be beneficial. If left unchecked, big corporations will take advantage of free markets to profit, by making the majority pay for them. According to Stiglitz, inequality is in sum, not only morally and economically unproductive, but it is also bad for the democracy

of the United States (and every country for that matter) as it makes countries more and more unjust. It undermines the principle of democracy, encourages illegal behavior, undermines the sense and trust in government and also encourages a race to the bottom where there are actually no real winners, but everyone loses out in the end. All this is morally unethical and unjust and in the end hurts the economy, by impoverishing nations of their human capital. Stiglitz remarks that while the theory of democracy states that the outcome should reflect the median voter, with the level of currently inequality, it is the top 1% that is being represented, and not the median voter. This creates a sense of disempowerment and disillusion as it makes people think that democracy is not going to solve any problem, especially among the young. A society where there is such a strong sense of disempowerment is a society which will experience several problems, such as the rise of extreme groups, populism, neo fascist groups. Inequality undermines the notion of a community, with the 1% living in gated communities, in a golden prison, with totally different lives.

In sum, Nobel Laureate Joseph Stiglitz believes that inequality is the most pressing problem of modern societies, with very dangerous ramifications and consequences, as it harms the economy, stops growth, and undermines the sense of democracy of a society.

Thomas Piketty in 2013 showed that more than a century later, things have not changed much compared to Karl Marx's time. As a matter of fact, capital and those who are capital abundant, are still in a privileged position as capital's rate of return is much higher than labor's. Piketty argues that the rate of capital return in developed countries is consistently higher than economic growth, and this causes wealth inequality, with wealth concentrated in the hands of those who own capital, which in their turn can influence policies in their favor, which not only hurts the

economy, but once again also endangers democracy. Piketty proposes a series of measures, with taxation to the wealthiest as high as 80%, which however, seems very hard to apply, as they might encounter the opposition of the 1% who are already powerful enough to lobby and block policies to protect their own interests.

Acemoglu and Robinson in their *Why Nations Fail* (2013) explore the increase of inequality in democratic societies, those in which the median voter should use his/her voting power to redistribute power away from the rich and towards himself/herself, with the redistributive effect directly proportional to the democratic nature of a society (hence greater in developed democracies). However, as the authors point out, the relationship between democracy, redistribution and inequality is more complex: as they remark, first of all, policy outcome and inequality depend not only on de jure power, but also on de facto power, with elites increasing their investment in de facto power in order not to lose power, mobilizing non state actors, lobbying. Acemoglu and Robinson remark that nations can also be constrained by de facto threats such as coups, capital flight and tax evasion. Secondly, the authors point out, democracy may lead to inequality-increasing market opportunity, with a more level playing field that eventually favors the elites. Finally, democracy may transfer power to the middle class, and not the poor, with policies in favor of the poor only if the middle class wishes so.

Morlino and Quaranta (2015) point out in their analysis of the impact of economic crises on democracy, that some dimensions of democracy are more subject to danger due to inequality than others, such as the judiciary, as the lack of financial resources encourages corruption, which favors rent seeking behavior and in the end concentrates power in the ends of a few, a few who are more inclined to issue policies that favor their own interests and in the end endanger democracy.

Another lead author and expert on inequality, Anthony Atkinson (2015) proposes a series of measures to tackle the growing emergency of inequality. As Atkinson underlines, inequality is one of the most urgent social problems: while it came to a halt after World War II, it came back even stronger, and currently it is an issue on everyone's agenda, with the talk about the 99% and the 1%. To face such a threat, Atkinson presents a comprehensive set of policies that could be implemented to change the distribution of income in the developed world, because, as he claims, the rich are not only getting richer, but little is currently being done to tackle poverty, and the current economic set is leaving people behind. According to him, raising taxes to fund poverty programs, as proposed by other economists (Piketty for example) is not enough. Atkinson argues that there is a need for fresh, new dynamic ideas, in at least five areas: technology, employment, social security, sharing of capital and taxation. Atkinson rejects the common claims against inaction, offering new, fresh policy guidance that could really tilt the balance in favor of the 99%.

As seen previously in the chapter, in December 2015, JP Morgan Stanley, a commercial bank, produced their first report on inequality, showing how urgent the topic of inequality has become, so important that even commercial banks, that are usually profit oriented, see in the issue a real threat to the stability of the financial system (with a constant and progressive weakening of the middle class, and a concentration of power into the hands of few, the 1%, that erodes the fabric of a society and profit from all opportunities). The report identified the United States, together with the countries of Southern Europe (Greece, Portugal, Italy and Spain) as the most unequal ones, against indicators such as Gini Coefficient, wage dispersion, workplace inclusion, health status, forced part time and digital access (the Internet is actually a great provider of opportunities, that can secure jobs and a

better level of life). The report showed how inequality is more than a mere moral issue, but it can indeed have tremendous implications for the future, posing a real threat to democracy and the stability of the financial system, with the erosion of the middle class.

In 2016, Milanovic explores once again, 6 years later from his previous work (*The Have and The Have Nots*), the link between inequality and growth, and discusses once again the difference between within countries inequality, and global inequality, the latter being, according to him, the real problem in the world. In his latest book, Milanovic explores further the causes of inequality, and exposes the 1% of the population, those who are consuming about half of the world's goods. Milanovic identifies those who have been hurt by globalization and those who have actually been favored by it, and shows how inequality has a cyclical pattern, and is favored by war and disease, technological disruption, access to education and redistribution. He once again explains that within countries inequality has decreased significantly, due to middle class expansion of China and India, which has almost reached the level of the developed nations, while, he argues, global inequality has increased dramatically in the last few years. Milanovic once again shows how actual his research is, in such a difficult time like the present, with migratory frictions, and proposes migration policies as a way to reduce global inequality, as new opportunities present for those in need. Finally, Milanovic concludes by stating that it is very hard to predict what direction the new inequality challenge will take, as new factors such as plutocracy, populism or war could interfere and reshape the current scenario. What appears clearly from Milanovic's latest book on inequality, is that despite all the enormous effort that is being made against inequality, and despite the

constant warning against the dangers from inequality, the battle is far from won, and much more still needs to be done.

In 2016, the World Bank published a report on poverty, with particular focus on inequality, (The World Bank, 2016), because in their words, inequality is endangering the important work that has been done, and is still being done, to finally end poverty and hunger. If the current trend of inequality is not reversed, due to the global slow down of the world economic and growth, the World Bank goal of ending extreme poverty by 2030 will not be reached. The report stresses on positive experiences of countries that have actually been able to reduce inequality and poverty (countries such as Brazil, Cambodia, Mali, Peru and Tanzania) and analyzes the effective actions that have been taken in such countries to this end, actions such as Conditional cash transfer, food security measures (the famous *Bolsa Familia* in Brazil which had very positive results), focus on improved education for kids, road construction, as well as other measures. As explored in the case of poverty, inequality is a multidimensional phenomenon, with multiple causes (in the case of gender inequality, for example, in many developing countries tradition and culture play a huge role) that need to be understood and tackled one by one. Also, the World Bank report exposes some myths about inequality, and furthermore, which is probably one of the most powerful messages of this report, stresses that inequality is a matter of choice of each country. This has tremendous policy implications that will be later explored, during the discussion on the countries of Latin America on which this PhD dissertation focuses on, and the general implications of this statement are huge for policy recommendations.

To end this brief review of the current literature on the relationship between inequality and democracy, the latest report by Oxfam International, presented at the

World Economic Forum of Davos in January 2017, entitled *An Economy for the 99%*<sup>12</sup> (Oxfam International, 2017b), identifies in the recent democratic shifts such as Brexit in the United Kingdom and the election of United States President Donald Trump, the discontent and erosion of the middle class due to inequality and poverty. Moreover, the report by Oxfam International provides staggering facts: since 2015, the richest 1% has earned more wealth than the rest of the world, while 8 men own the same wealth as the poorest half of the world. Moreover, the incomes of the poorest 10% has increased by less than 3 US \$ a year between 1988 and 2011, while the incomes of the richest 1% has increased 182 times more, and as shown by Piketty, over the last 30 years, the growth in income of the bottom 50% has been zero, while the income of the top 1% has grown by 300%. In Vietnam for example, the country's richest man earns in a day more than the poorest person will earn in 10 years. These facts are not only staggering, moral unjust, but in the end they are bad for democracy, the sense of legality, people's empowerment, and poverty reduction, as they leave people hopeless that every effort they make will be useless, as their fate is already determined both by family history and country of birth (as Milanovic pointed out in 2010). The Oxfam report of 2017 goes on identifying the current problems that have led to such high levels of inequality: big corporations working for those at the top, while at the same time taking advantage of workers and producers, paying them less than what they were earning in the 1980s, as well as illegal behavior such as dodging taxes, maximization of shareholder capitalism and crony capitalism, where the powerful use their power to shape regulations and national and international policies. The Oxfam report highly blames the role that the richest 1% have had in causing the current inequality crisis, by avoiding tax and buying politics,

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<sup>12</sup> Echoing last year report: *An Economy for the 1%* (Oxfam International, 2016)

promoting rent seeking behavior, and their own personal interest before anything. The report also exposes several false assumptions that have also contributed in increasing inequality, such as that the government should stay out of the market because the market is always right, the fact that profit maximization is the only guiding principle in the economy, the fact that individual wealth is a sign of success, or that GDP growth should be the main aim of every policy, regardless of our planet's finite resources. Finally, the report exposes the constant discrimination against women that still endures in our societies. To conclude the report, Oxfam International proposes a series of policy guidelines that should be respected, such as governments working for the 99% and not the 1%, cooperation among governments and not only competition, companies working to benefit everyone and not only their profit, and battling concentration of wealth to end extreme poverty. Moreover, a human economy should be inclusive of both men and women, technology should serve the interests of the 99%, the new economy should be respectful of our planet's resources, which are finite, as we are seeing nowadays with climate change caused by global warming, and to end, valuing and measuring what really matters, not only GDP, which is of course necessary but not exhaustive of any policy to tackle poverty and inequality, but what really defines the life of human beings, what Amartya Sen mentioned in his capability approach. Such recommendations are definitely feasible and can reverse the current trend of inequality, before it is too late, before we are called to pay a very high price, in terms of economic, political, social terms, as well as in terms of the impact that inequality has on our planet's resources.

## **1.7 Conclusion: the research questions**

This introducing chapter has explored the reasons behind the choice of inequality, as inequality is becoming a very complex and growing issue which is attracting more and more attention at global level. Inequality is often times associated with poverty, and actually it is true that one really feeds the other in a catch 22 situation. What appears clear is that inequality may actually increase poverty, and there is no poverty without inequality. Many scholars have focused on the impact that inequality has on democracy, as it is nowadays evident that inequality is not only bad for the economy, but it also endangers the democratic fabric of a society. However, what needs to be researched further, is how different procedural aspects may impact inequality, how different political regimes may impact inequality, and how different political regimes, with different procedural aspects, may be impacted by inequality, especially in a time when democracy, as pointed out by Morlino (2011) is considered as the only game in town.

During the course of this research work, I will try and explore the relationship between inequality and democracy, to try and answer two main research questions: how does inequality impact democracy? And how do different procedural aspects impact inequality?

2. LATIN AMERICA AND THE CARIBBEAN IN PROSPECT: PROGRESS AND CHALLENGES (1990-2015)



## 2.1 Introduction

During the course of this chapter, I will present some of the main themes of the Latin American and the Caribbean (LAC) region, which will provide useful for the second part of the research, the data analysis, in the time span between 1990 and 2015. The choice of such a region and such a time span are not casual, but respond both to personal preference and to the challenging geopolitical scenario of the recent times.

The choice of the region, besides following a personal interest which was prompted many years ago by Uruguayan journalist and writer Eduardo Galeano, with his life-altering work *Open Veins of Latin America*, in which the author describes both the economic exploitation and the political dominance perpetrated in the region over the course of five centuries first by European colonizers, and later by the United States, is also strategical as the LAC region is one of the most relevant examples of inequality in the world, as it has historically been the most unequal region. Remarkable progress has been made in the region to tackle such high inequality, but progress throughout the region has been uneven, strongly linked to economic growth. The LAC region has been the target of many concerted efforts such as Conditional Cash Transfers, development aid (one much cited experience has been *Bolsa Familia* in Brazil). At the turn of the Millennium, the region was experiencing strong and steady growth, and much progress had been made: the conditions were so favorable that in 2003 Goldman Sachs forecasted that by 2050, Brazil would be the fifth largest economy in the world, and even included Brazil in the BRICS. Almost fifteen years later, such a projection proved completely wrong. This shows without any doubt that although much progress has been made in the region, inequality is still an urgent issue. Even more now that it has become a global issue. It can prove

very valuable to study what has been achieved in the region, the successful measures, and why they have stopped working in case they have. The region certainly offers significant and valuable lessons in a context in which inequality has become the biggest concern even in the Western world, in the traditional developed economies. Much can be inferred in terms of the impact of inequality on democracy, but we can also look at the way democracy impacts inequality in a region that has certainly known political challenges beyond average.

The time span of 1990-2015 is particularly relevant for two reasons, as already briefly touched upon in the introduction. First of all, such time span comprises the third wave of democratization in the region as described by Huntington (1991), which started with the Carnation Revolution in Portugal in 1974, and involved many countries of Latin America during the 1980's, with 1990 being a key year for many countries of the region: Chile held presidential and parliamentary elections in December 1989, and Christian Democrat Patricio Aylwin took office in March 1990, ending 17 years of one of the bloodiest dictatorship in the region; Paraguay saw the end of the 35-year-long dictatorship by Alfredo Stroessner, Nicaragua saw the end of the Sandinista government which took power in 1979, and Brazil was well settled on the democratic path after a military government which lasted for 21 years. In many ways, 1990 marks the end of the region's bloody past. Although progress has been uneven, the LAC region is experiencing unprecedented progress in democratic government, with 35 years of democratic governments.

Furthermore, the time span 1990-2015 is also important as it closely mirrors the time span used to monitor progress of the Millennium Development Goals Agenda, which was formally adopted during the Millennium Summit in 2000. As a matter of fact, if one closely looks at many of the MDG's, for example Goal Number

1, to eradicate extreme hunger and poverty, it appears evident that the time span taken into account is the 1990-2015 period. Such choice of timeframe is very relevant, as it allows to monitor tangible, real progress in the region, in the indicators selected. As unfortunately data analysis is often constrained by data availability, the choice of mirroring the MDG's timeframe can prove very successful.

Over the next sections of chapter, I will present progress and challenges of the LAC region. The dimensions chosen and the indicators used to monitor progress and challenges will be presented and will be used during the second part of the research, concerning the relationship between inequality and democracy in the three countries which were home to some of the worst dictatorships in the world.

The choice of the dimensions and indicators selected aims at reflecting a definition of inequality that both considers outcomes (such as GDP and other monetary measures) and also opportunities. The dimensions chosen, such as population, poverty, inequality, economic growth and employment, women's empowerment and child well-being, as well as infrastructures and social issues such as violence, crime and development aid, are all relevant parts of the inequality equation. As a matter of fact, they all contribute to the sound, equal development of human beings, they contribute to making a society more just.

The way a population changes throughout times provides valuable information on how the society is changing, and tells policy makers what measures are necessary to respond to the new challenges that such changes bring with them (for example, an aging population will require changes in the pension scheme, while high maternal mortality rates will require preventive health measures). Monetary and multidimensional poverty are keys not only in the inequality equation, but also for democracy. Poverty is the fuel for inequality as it entails lack of assets, lack of

opportunities for education and health, lack of agency as Amartya Sen would say. But also, poverty feeds political ignorance, with the risk of falling prey to populist movements, to repeat history, to give up democracy for its tradeoffs (Hugo Chavez's Venezuela was a very good example of this, in which Chavez managed to rule the country in an undemocratic way by improving the conditions of the less fortunate). Inequality is a core issue as it can both be considered here as inequality of income, by using Gini index, Bottom 40%, Top 1% income, Top 10%, but also inequality of opportunities, to see how opportunities are distributed in a society. Food security and hunger are core issues for both inequality and democracy. A stunted child will never grow to have the potential of a full adult: even if he is administered food rightly afterwards, the first two years of a child will have an impact on the child's intellectual, emotional and physical capabilities. An adult that is not free from hunger, cannot reach his full potential, and will never be able to act as a free individual, his choices will always be dictated by his basic needs that are violated. He will not be able to choose the best representatives, and will not be able to fight for his rights until hunger is not satisfied. Human development is the common container that reflects all these information, and more. It tells how a country is faring in terms of quality of life, considering important factors such as income, education and life expectancy. Human development is a tool to predict how a country will fare in the future. A country with high levels of human development will much more easily respect its citizens' rights and will fight for a more equal society. Education is really the key out of inequality and to ensure a sound government. Education is that tool that can turn the lives of millions of people around, it can change human lives, can take people out of poverty, and can ensure that people have the instruments to fight for their rights, to fight for a just, equal and democratic government. Employment and economic growth are key

factors to fight inequality and ensure that the scourge of dictatorships is avoided, as these regimes profit from unstable economy. But economic growth is not enough to guarantee that inequality is avoided. As the trickle down economy has shown in the past, economic growth must be harnessed to guarantee that it does not benefit only the richest. Employment in this sense is the tool to guarantee that people have a dignified and just life, free from poverty and hunger. Women and children are historically the weakest link, they have been discriminated throughout the course of history and have been victims of abuse. Women are essential for the sound development of a society. As studies in the development field show, when women are in charge of the household, the whole family benefits, children are more food secure; women in a society are an essential part of the economy and of the social fabric, both as they are oftentimes more educated and as mothers. Child well-being is important because a child whose development, both at emotional, intellectual and physical level is respected, will grow up to be a sound adult who will look for equality and justice around him, and who will be able to fight for his/her rights and for a fairer society. A child who grows up to his or her full potentials will be less prey to rent-seeking behavior. Finally, infrastructures, development aid and violence and crime are all important elements that can contribute to inequality and impact the democratic nature of a government. Infrastructure is essential to economic growth and poor infrastructure can negatively impact the poor, who often concentrate in rural areas, increasing the chance of making them even poorer. Development aid helps fill the gap between the middle class and the poor, allowing them to have an opportunity. Development aid is often conditioned to better sanitation/health and school attendance, therefore building human capital to an extent that can actually be considered as an investment. Crime and violence, which are particularly relevant in

the region taken into account, Latin America, take a huge toll on a society. They consume economic resources in terms of GDP, lost human capital, but they also create the idea of a violent society, where the sense of community is lost and the idea of justice and equality is lost. Crime and violence take a huge toll in terms of human suffering, they open the way to rent-seeking behavior, produce mistrust which in its turn creates a dysfunctional society. Inequality and less democratic regimes can find their way in societies where crime is rampant as human trust is broken.

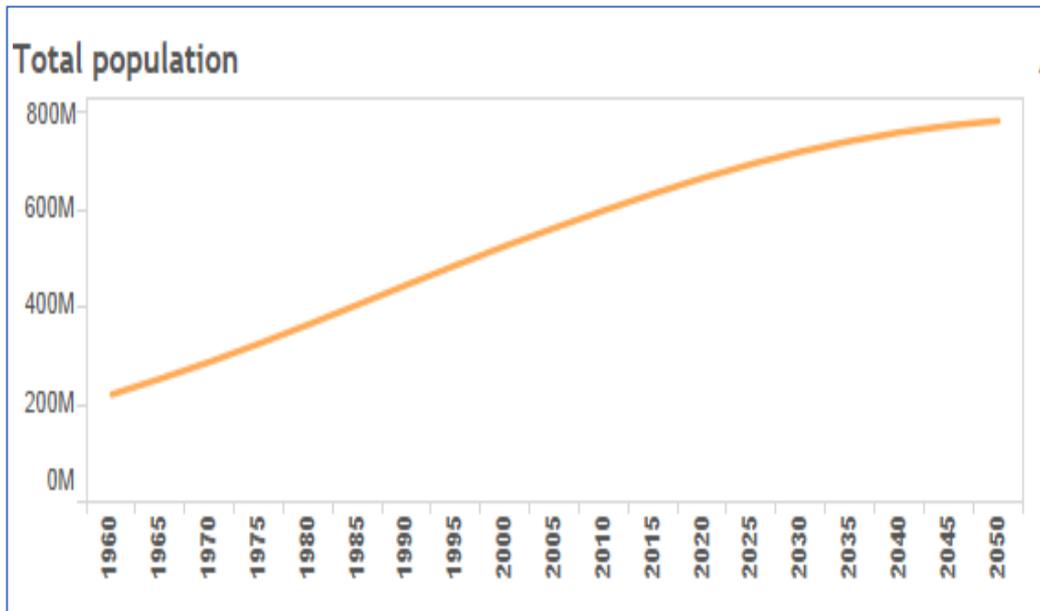
The dimensions and indicators selected are all very relevant in terms of inequality and of the democratic nature of a government and society. Any policy maker who aims at reducing inequality and strengthening the democratic nature of a government will necessarily have to pass through all of them in order to produce sound policies. While they are certainly not the only ones that can be considered, they are very relevant in the fight to a more equal and more democratic society.

## **2.2 Population growth in Latin America and the Caribbean region**

A thorough exam into the population pyramids of the LAC region in the time span over 1990-2015 for every five years, and with projections for the year 2050, reveal all the features typical of the countries on the path to development (stagnant pyramid shape, low fertility rate, high infant mortality, aging population). Yet, the LAC region is one of the most populous ones, comprising 41 countries which are very different among them, ranging from small islands to large and populous countries such as Brazil and Mexico.

The LAC population has experienced significant and steady growth from 1990, with a population of a little over 446 million people, to 2015, with a population a little over 633 million, a remarked growth by almost 200 million people in just 25 years. Projections for the year 2050, according to the World Bank (2017b) forecast a population of 782 million, confirming the overall trend of growth, although a slight decrease is forecasted. The graph below shows the overall trend of forecasted growth:

Graph 13: Total Population LAC

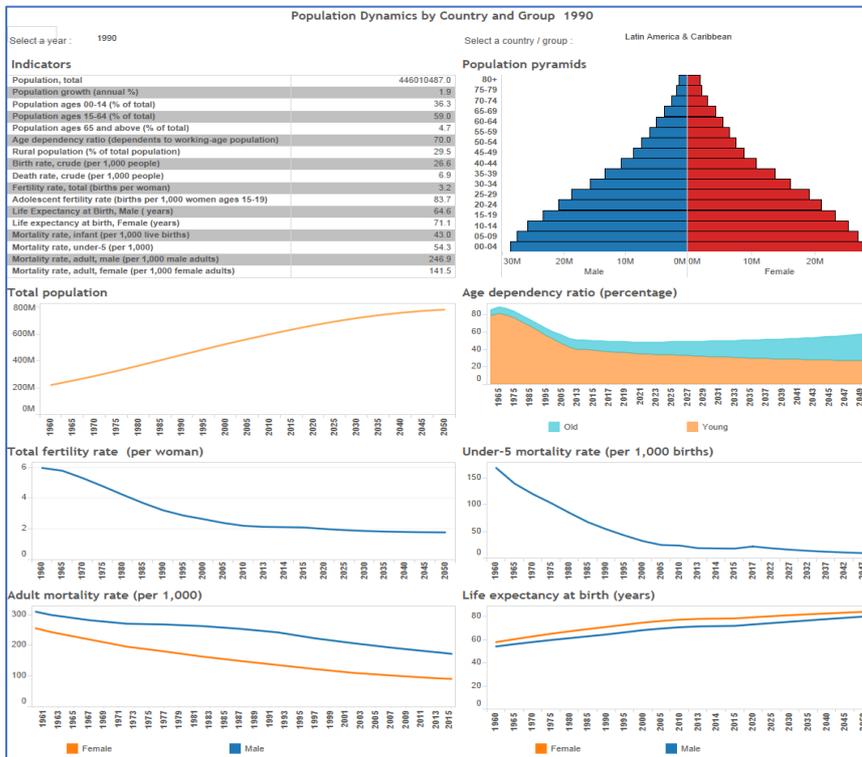


(Source: World Bank, 2017b)

If we examine the shape of the population pyramids over the 25 years taken into account, and also examine the projections for the year 2050, we see a change in the pyramids typical of the countries on the way to development, with projections moving towards a stagnant pyramid, which has lost the pyramid shape and is more like a square (similar to the one for the United States, with very low birth rate and an aging population).

If we examine the population pyramid for the year 1990, as per the following graph, we find a demographic pyramid in line with the developing countries:

Graph 14: LAC Population trends 1990



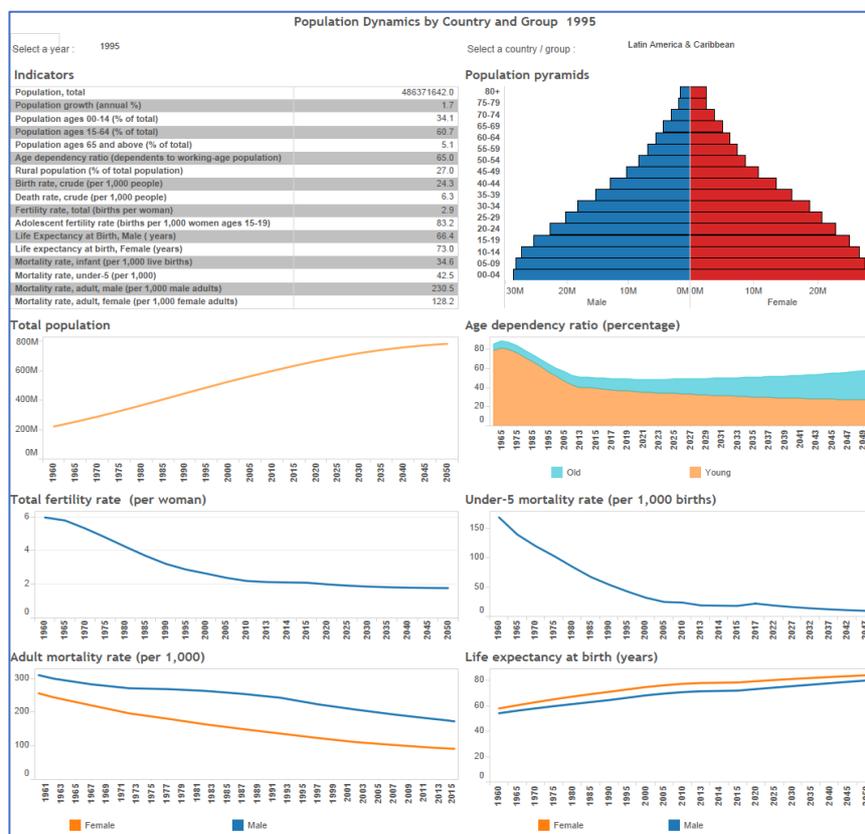
(Source: World Bank, 2017b)

The population pyramid for the year 1990 has a very strong base of the pyramid, showing a high percentage of young population, and a very steep decrease as age progresses, showing that the population growth is a recent phenomenon. The population amounts to a little over 446 million people for the year 1990, with an annual increase of 1.9%. The majority of the population (59%) is centered in the age span 15-64, and 29.5% of the population lives in rural areas (where poverty is more common). The crude birth rate per 1,000 people amounts to 26.6, while the crude death rate per 1000 people amounts to 6.9. The fertility rate per woman is 3.2, and the mortality rate among infants is very high: 43 every 1,000 live births. Also, the mortality rate for children under 5 is significant high, amounting to 54.3 every 1000. The average life expectancy is 64.6 years for men and 71.1 for women (against a life

expectancy of 73.8 years for men and 80.3 years for women in Italy, and 75.9 years for men and 81.9 years for women in Japan in the same year, Italy and Japan being the countries with the highest life expectancy in the world).

In 1995, the population pyramid shows slight changes:

Graph 15: LAC Population trends 1995



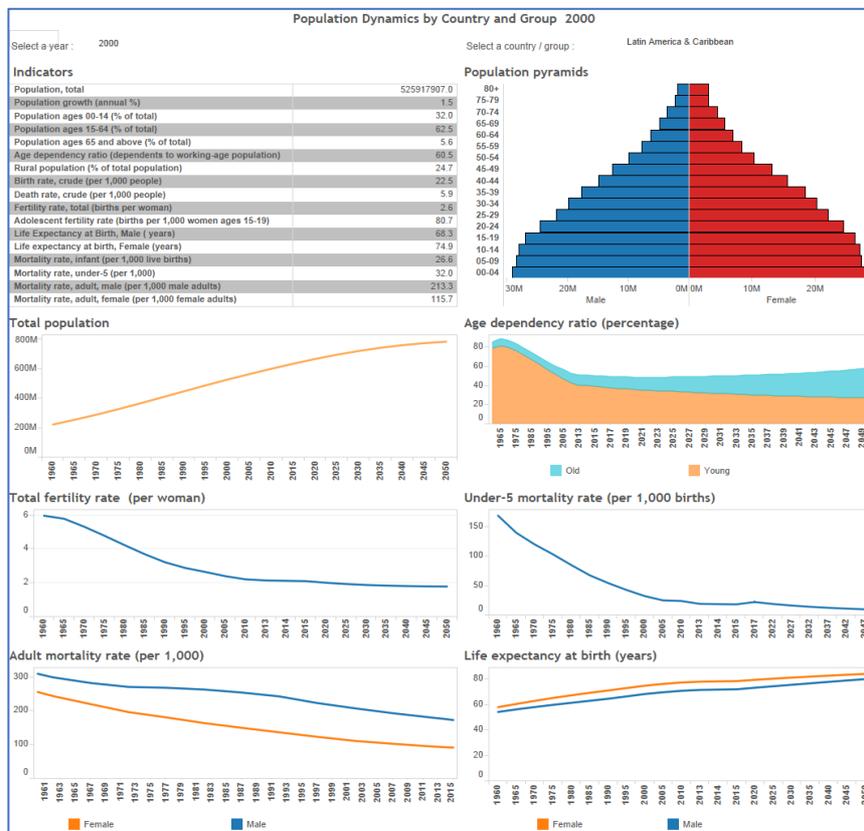
(Source: World Bank, 2017b)

The 1995 pyramid is changing shape, becoming a bit narrower as age increases. The total amount of population now amounts to about 486 million (40 million more than 1990), with an annual growth rate of 1.7%. The majority of the population is still centered in the span 15-64 (60%), and the rural population has decreased to 27%. The crude birth rate per 1,000 people has now decreased to 24.3, while the crude

death rate per 1,000 people now amounts to 6.3. The fertility rate for women has now decreased to 2.9, and the mortality rate among infants is still high, but has decreased to 34.6 per 1,000 live births, while the mortality rate for children under 5 has decreased to 42 every 1,000. Average life expectancy has increased to 66.4 years for men and 73 for women, still well below the one recorded for Italy and Japan for the same year (Italy with 75.0 and 81.5 years, and Japan 76.4 and 82.8 years).

The shape of the population pyramid for the year 2000 records further changes, with progress being recorded in several areas:

Graph 16: LAC Population trends 2000

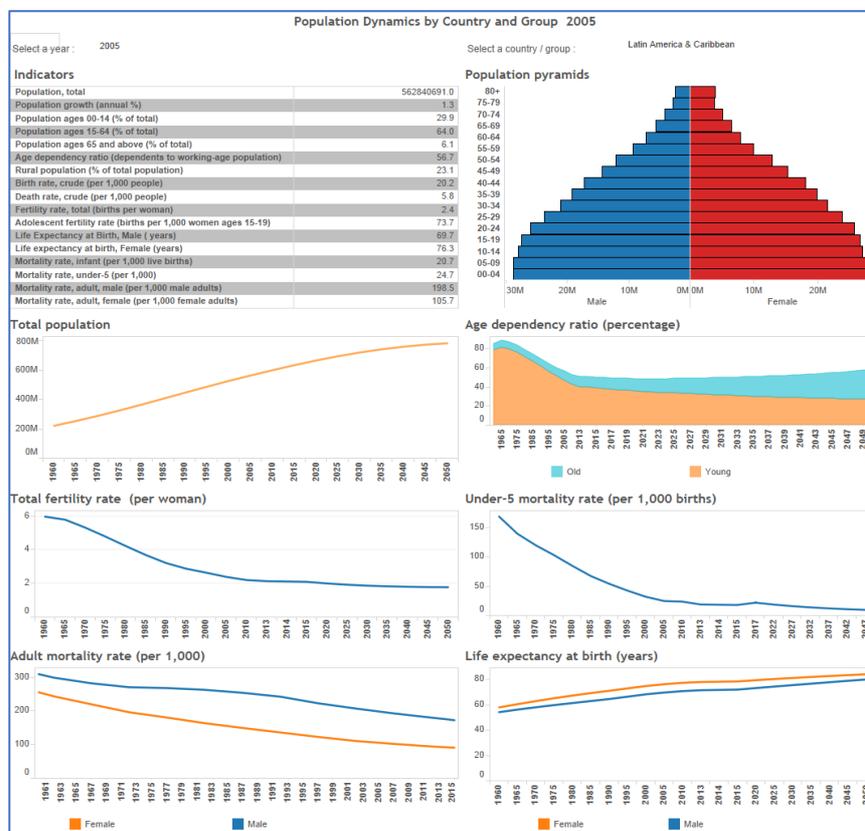


(Source: World Bank, 2017b)

The total population now amounts to almost 526 million (again, an increase by almost 40 million, consistent with the overall previous trend). The population growth has decreased to a yearly percentage of 1.5%, with now 62.5% of the population in the age span 15-64. The rural population amounts to 24.7, decreasing further with respect to the previous years 1990-1995. The crude birth rate per 1,000 people has decreased to 22.5, while the crude death rate has decreased to 5.9 per 1,000 people. The fertility rate for woman has decreased further to 2.6. Mortality rate in infants is still high, 26.6 per 1,000 live births, but decreasing further, and the mortality rate in children under 5 amounts to 32.0, decreasing as well. Life expectancy has increased to 68.3 years for men and 74.9 for women (against 76.9 and 82.8 in Italy and 77.7 and 84.6 years in Japan).

The pyramid for the year 2005, while the region was recording impressive economic growth (in 2003, as it was mentioned, Goldman Sachs inserted Brazil among the BRICS and forecasted that by 2050 it would be the fifth largest economy in the world), shows further changes, with a pyramid narrowing at the top and becoming more stagnant, with a squarer shape:

Graph 17: LAC Population trends 2005



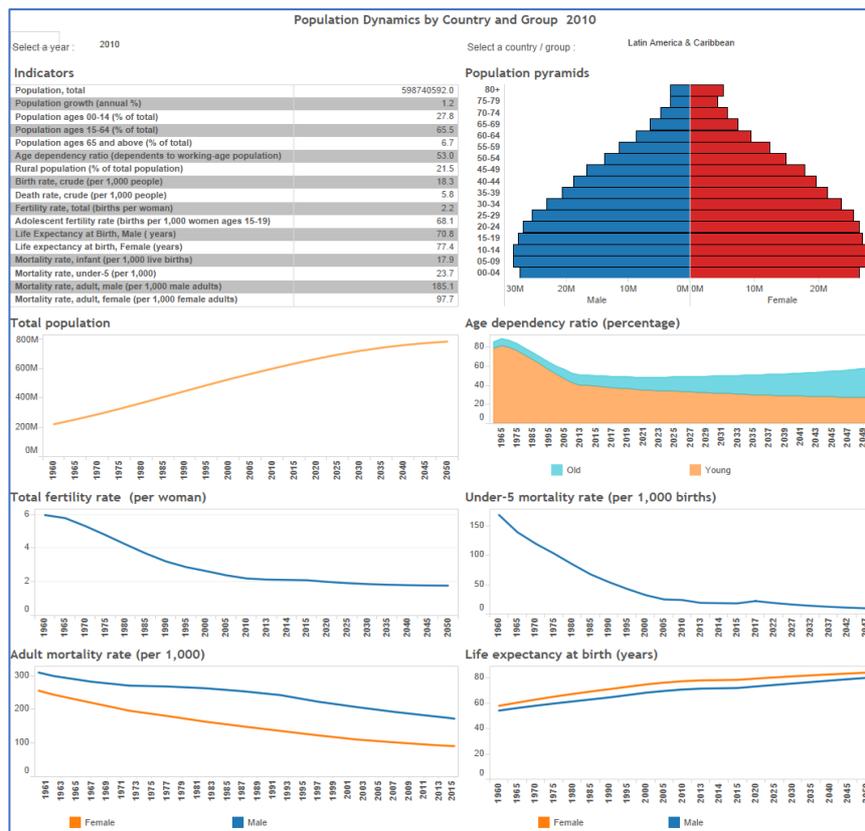
(Source: World Bank, 2017b)

The shape of the pyramid has changed further: according to the World Bank (2017b) the population now amounts to about 562 million, with a slowdown in the annual growth rate to 1.3 %. The majority of the population (64%) is in the age span 15-64, and the rural population has decreased further (now only 23.1% of the total population). The crude birth rate per 1,000 people has slightly decreased to 20.2, while the crude death rate has remained substantially unchanged (5.8). The fertility rate has decreased further to 2.4, mortality rate in infants is significantly reduced to 20.7 while mortality rate in children under 5 decreased to 24.7 per 1,000. The life

expectancy has increased to 69.7 years for men and 76.3 years for women (compared to Italy with 78.1 and 83.6 and Japan with 78.5 and 85.5 years).

Five years later, looking at the pyramid, we can remark further progress:

Graph 18: LAC Population trends 2010



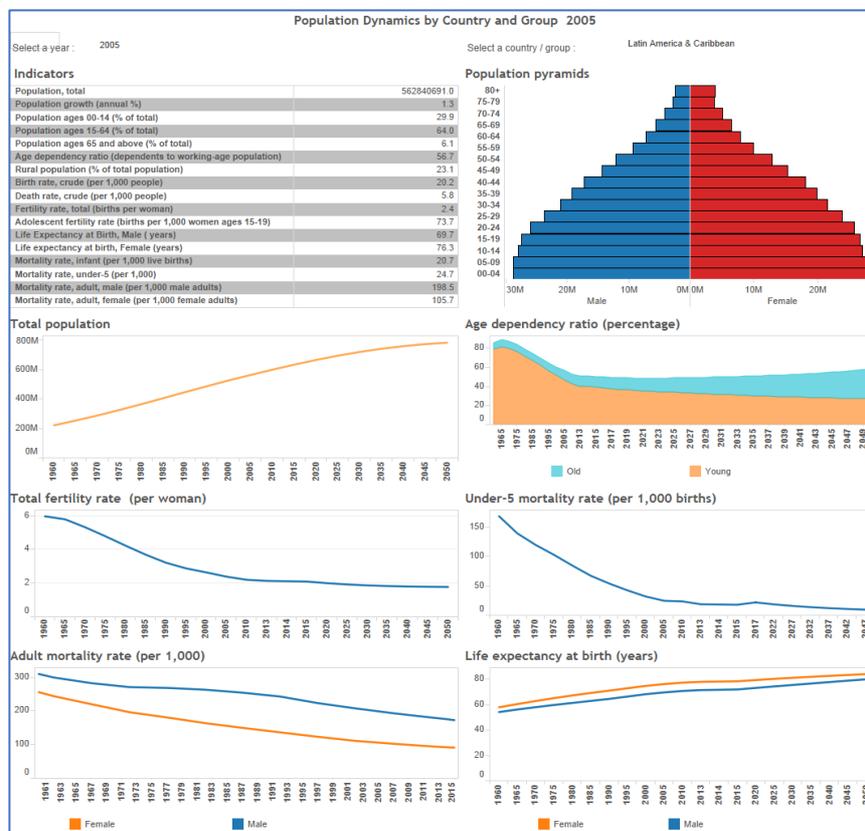
(Source: World Bank, 2017b)

The pyramid shape has changed greatly with respect to the first year of analysis. The pyramid now has a squarer shape as age progresses, with an increase in all age groups, and an aging population. The population total now amounts to almost 599 million, with an increase consistent with the one recorded five years earlier (about 35 million people), and an annual growth rate of 1.2%. The majority of the people, 65.5% of the total population, is in the age span 15-64, and the rural

population continues to decrease (21.5%). The crude birth rate decreases to 18.3 and the crude death rate remains stable (5.8). The fertility rate has significantly decreased to 2.2 per woman (against 3.2 in 1990), mortality rate for infants has decreased to 17.9, and the mortality rate for children under the age of 5 has slightly decreased to 23.7 deaths every 1,000 births. Life expectancy at birth is now 70.8 for males and 77.4 for women (Italy records 79.5 for men and 84.5 for women, while Japan's life expectancy at birth is 79.6 for men and 86.3 for women for the same year).

The population pyramid for 2015, the last for the reference period, shows further progress and changes typical of the countries on the path to development:

Graph 19: LAC Population trends 2005

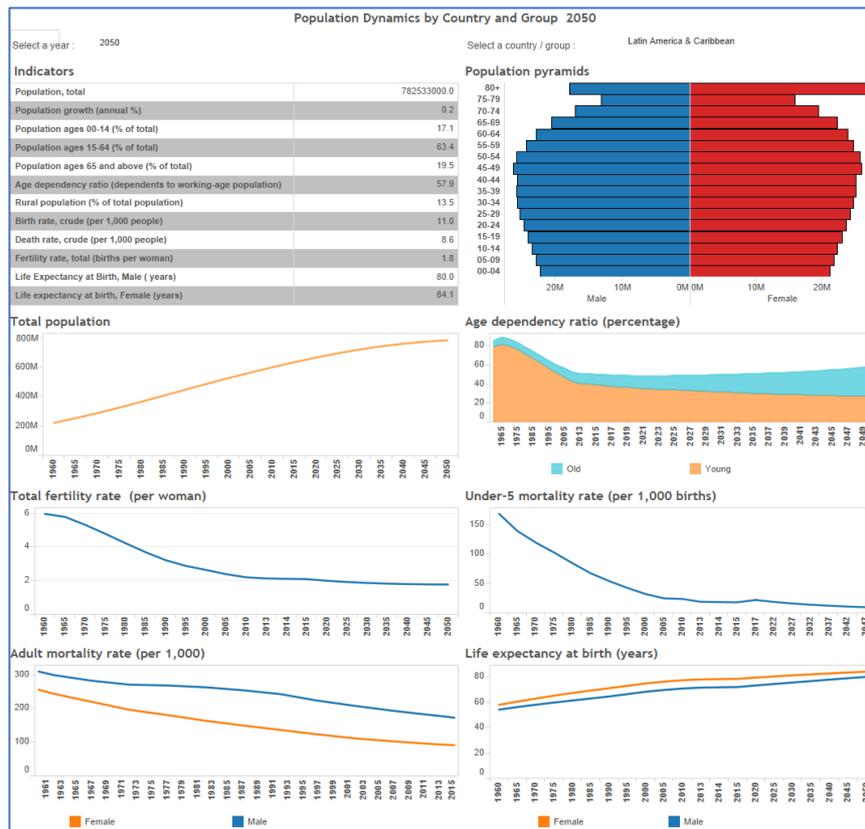


(Source: World Bank, 2017b)

As we can see from this last population pyramid, the shape of the pyramid has changed further, with a larger base and larger top as well. Although the pyramid is still far from having the stagnant shape like the one for the United States, changes are evident. The population total now amounts to 633 million people, with a population annual increase by 1.1% (the annual population growth rate has been steadily decreasing, from 1.9 in 1990). The majority of the population is in the age span 15-64 (66.7%), and the rural population has decreased to 20.1%. The crude birth rate has decreased to 17.1, while the crude death rate has remained unchanged (5.9). The fertility rate has decreased to 2.1, and the infant mortality is now 15.2 deaths per 1,000 live births, while the mortality rate for children under the age of 5 has decreased to 18.0. Life expectancy at birth is 69.7 years for men and 76.3 for women (for Italy it is 81.1 years for men and 86.0 years for women, while for Japan it is 80.8 years for men and 87.1 for women).

If we look at the projections for the population pyramid of 2050, changes are evident:

Graph 20: LAC Population Trends 2050



(Source: World Bank, 2017b)

The changes recorded in the population pyramid for the year 2050 are indeed staggering. The population pyramid has lost its typical shape and has now the shape of a stagnant pyramid, just like the one for the United States. The total population is projected to be over 782 million people, with a much slower annual growth rate of 0.2%. The majority of the population is still in the age span 15-64 (63.4%), while the rural population is forecasted to be significantly reduced (only 13.5%). The crude birth rate is forecasted at 11.0, while the crude death rate is set to increase at 8.6 per

1,000 live people (a sign of the aging population). Fertility rate, the number of births per woman are reduced to 1.8, while it is not possible to have any forecast for mortality rates in infants and children under the age of 5. Life expectancy at birth is set to increase even further, to 80.0 years for men and 84.1 for women (while for Italy, life expectancy at birth is forecasted at 86.1 for men and 90.7 for women, and in Japan 85.2 for men and 91.6 for women).

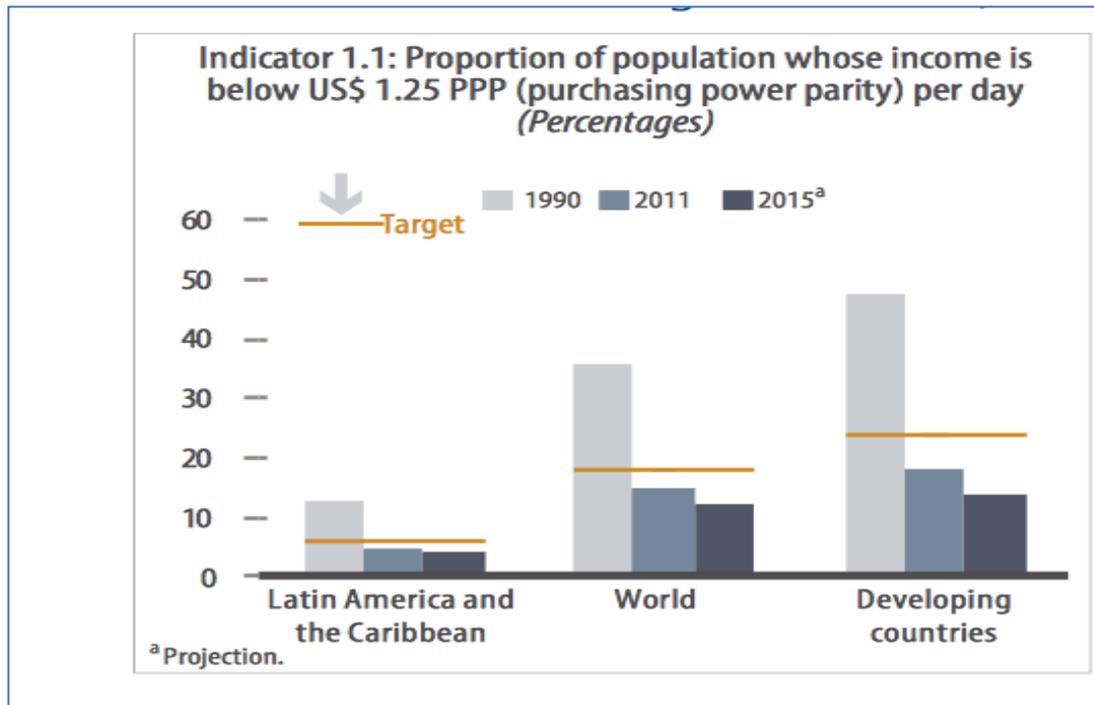
To conclude this brief population overlook, the Latin America and Caribbean region has experienced all the phenomena typical of a country on the path to development. Yet, this remarkable progress will entail all the challenges typical of an aging population: population growth, highly dependence on natural resources while trying to ensure environmental sustainability of development, concentration in urban dwellings with rapid urbanization, overcrowding and the subsequent creation of megalopolises (think about San Paolo in Brazil for example), which also entail higher rates of crime and social problems, an aging population with all the problems that implies (social security contributions, higher costs for healthcare), the decrease in the fertility rate of women, with women social empowerment and the change in traditional family structure. The fast paced development of the region is the result of the development programs, the aid programs, the increased focus on education for women and the economic growth that the region experienced at the turn of the Millennium. What appears obvious is that such development is not free from the challenges that the Western developed world has already experienced and that we are witnessing today. More inequality and less stable democracy may occur in such a context of demographic growth and change.

### **2.3 Monetary and Multidimensional Poverty**

As part of goal number one of the Millennium Development Goals was to halve, between 1990 and 2015, the proportion of people whose income is less than US\$ 1.25, we can examine the fight against poverty in the region. However, as discussed in the first chapter, poverty is a complex, multidimensionality issue. Therefore, while looking at the progress made, we will look at various indicators and will not only consider monetary poverty, but will take into account the various dimensions of poverty.

With regards to poverty, the region has registered impressive progress, due both to development aid programs in the region (such as *Bolsa Familia* in Brazil, and in general cash conditional transfers) and the impressive economic growth experienced at the turn of the millennium. With regards to monetary poverty, as underlined by ECLAC (2013), the countries of the region have made significant progress in the past two decades. By 2008, the region had almost halved the 1990 poverty levels, and the goal was actually achieved in 2011, when the percentage of poor people living on less than US \$ 1.25 was 4.6%, reduced by 63% with respect to the figures for 1990. As can be seen in the graphs below, in 1990, the region's poverty share was 12.6%, which was quite high but below the world percentage and the developing countries share. Already by 2011, the region overall had managed to reach the goal of halving extreme poverty, and in 2015, it was confirmed that the goal had been reached.

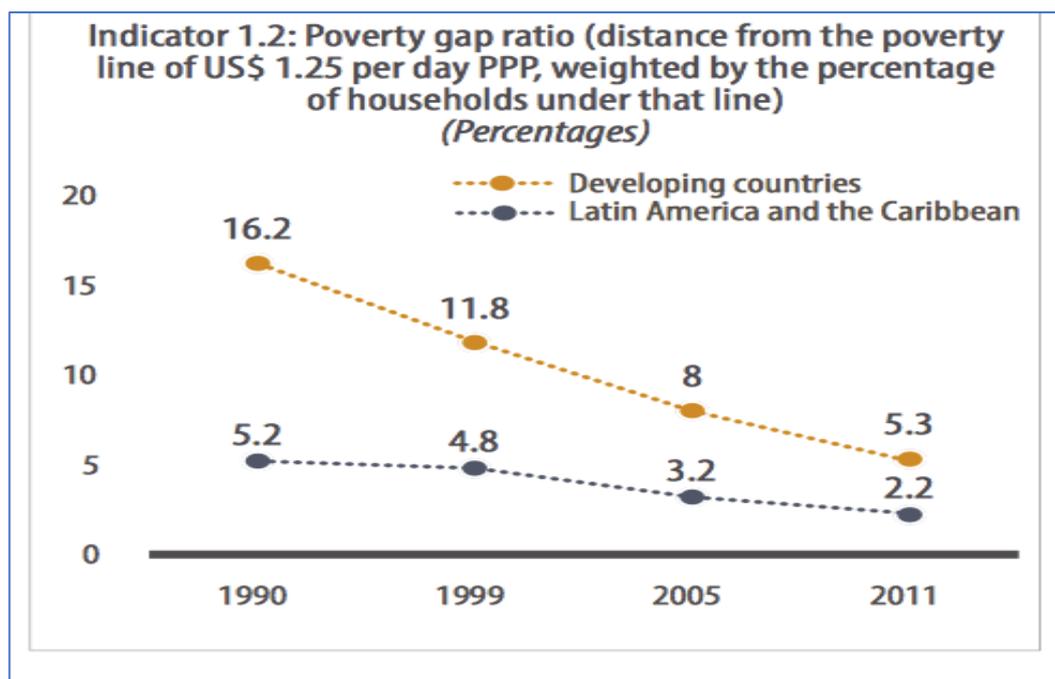
Graph 21: Population Income below US 1.25



(Source: ECLAC, 2013)

The income poverty gap ratio for the countries of the region was significantly below the one of developing countries, and reduced even further over the course of the year, till 2011, as shown by the graph below:

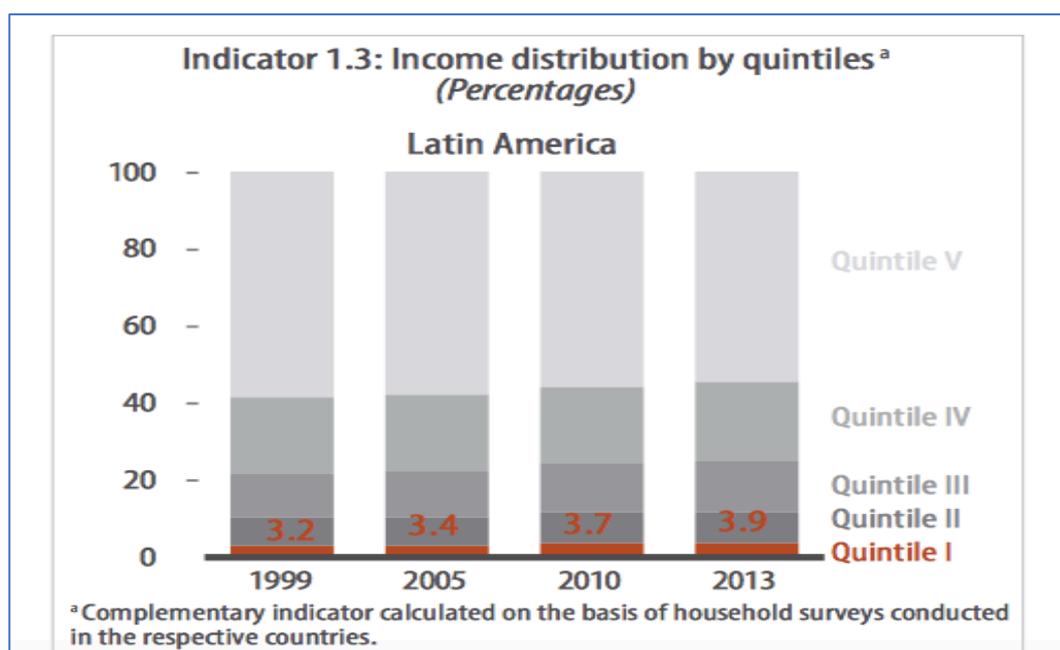
Graph 22: Poverty gap ration



(Source: ECLAC, 2013)

The progress in the region for the income of the bottom quintile of the population (the poorest people) was also very significant, rising from 3.2 in 1999 to 3.9 by 2013, as shown in the next graph:

Graph 23: Income distribution in LAC (quintiles)

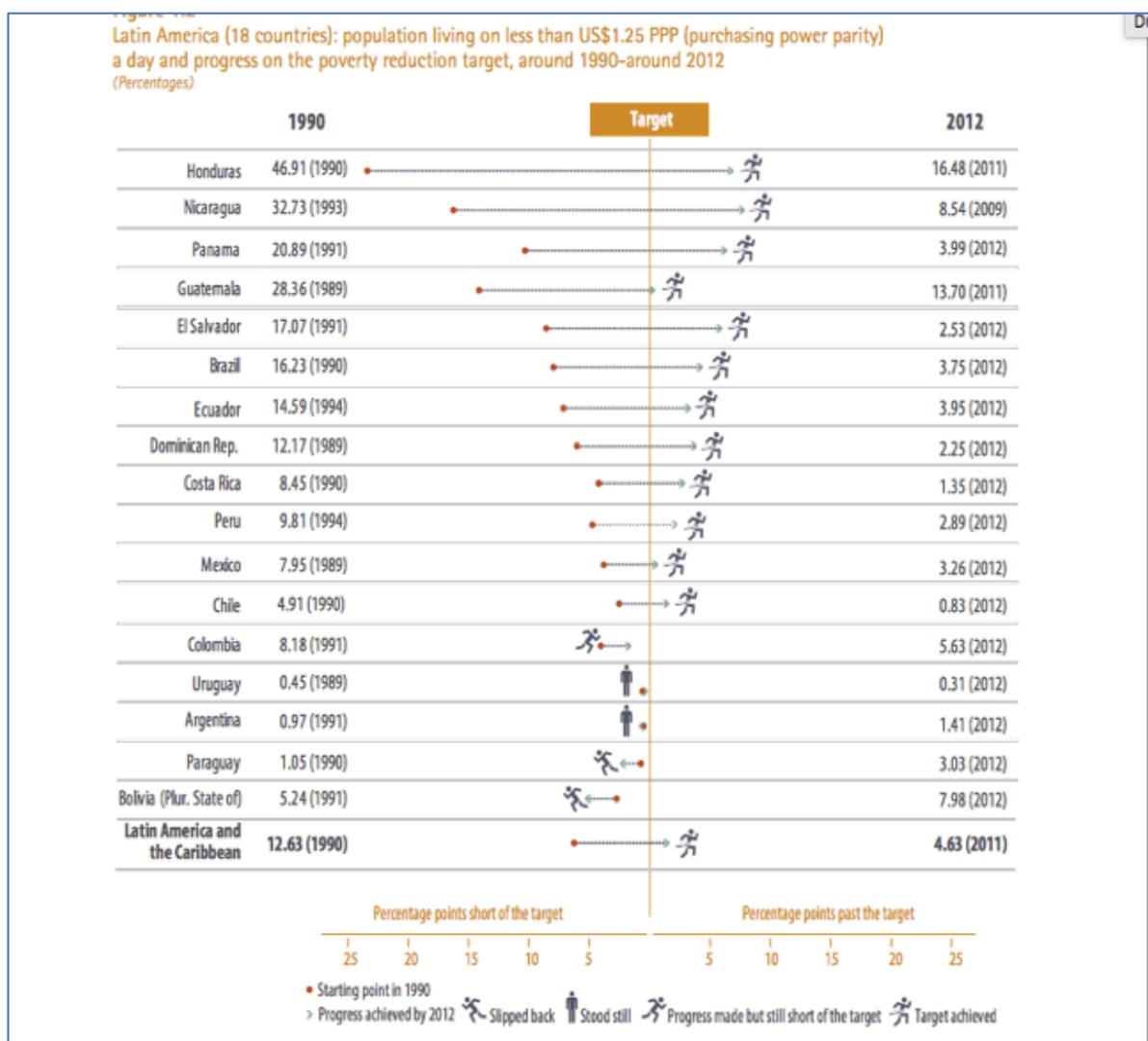


(Source: ECLAC, 2013)

However, progress in the region over the period 1990-2015 was not the same for all countries. As reported by ECLAC (2013), almost all the countries of the region had achieved the goal of halving extreme poverty by 2012, but some countries were still lagging behind. The most successful countries were Honduras (from 46.91% to 16.48%), Nicaragua (from 32.73% to 8.54%), Panama (from 20.89% to 3.99%), Brazil (from 16.23% to 3.75%) as their progress was remarkable. But unfortunately, not all countries were able to meet the target. Some countries, such as Colombia, reduced poverty but fell short of halving it (from 8.18% to 5.63%). Other countries,

such as Uruguay (from 0.45% to 0.31%) and Argentina (from 0.97% to 1.41%), stood still and were unable to reach the target, while Paraguay (from 1.05% to 3.03%) and Bolivia (from 5.24 % to 7.98%) actually recorded negative results, with an increase of people living in extreme poverty. The following graph, elaborated by ECLAC in 2013, tracks progress for 18 countries in the region:

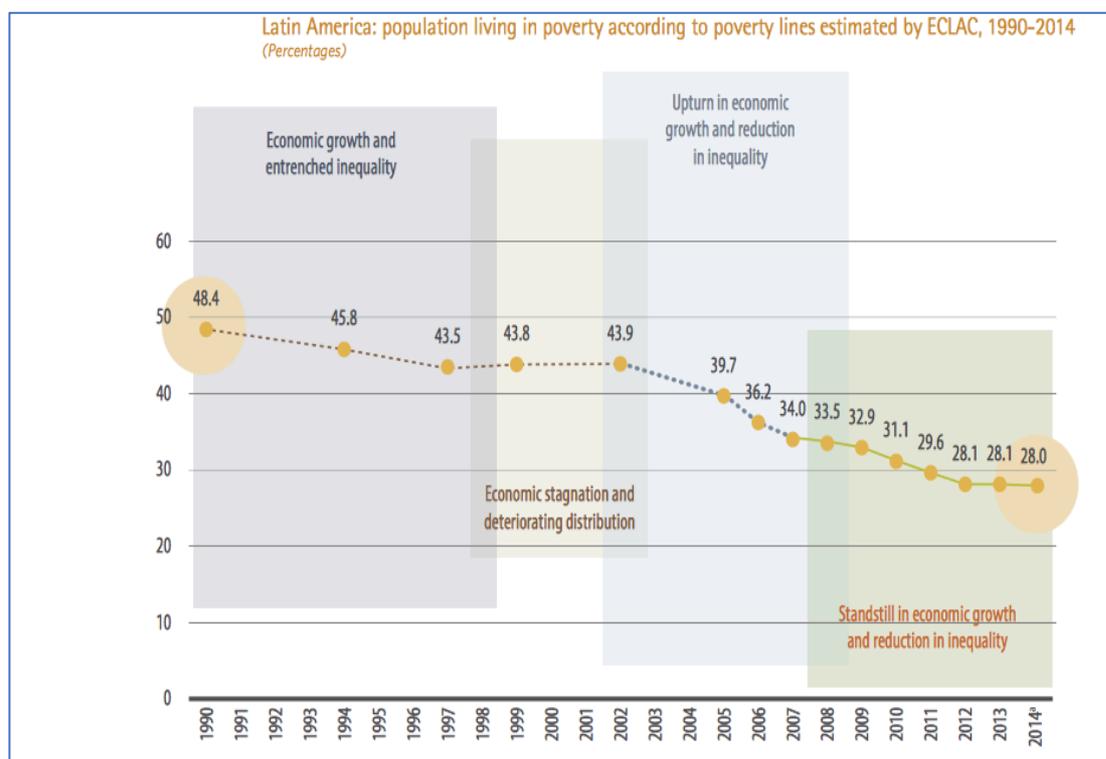
Graph 24: Countries in LAC which reached MDG 1 on poverty



(Source: ECLAC, 2013)

The Economic Commission for Latin America and the Caribbean (2013) also developed a total poverty measure on an internationally comparable threshold based on the cost of food and non-food basket, which better reflects reality for the countries taken into exam. According to the poverty lines estimated by ECLAC (2013), as shown in the graph below, the region registered significant progress within the region. Projections for 2014 estimated that 28% of Latin America’s population lives in poverty, which represents a mere reduction by 20% since the levels of 1990. As ECLAC (2013) remarks, the steady decrease in poverty was halted only twice: between 1997 and 2002, and between 2012 and 2014, when the poverty line remained mainly flat:

Graph 25: Poverty in LAC



(Source: ECLAC, 2013)

ECLAC (201) reports that the general improvement in poverty reduction, was mainly due to the general good conjunction and economic growth of the period, especially in the period 2003-2008, with increased income from labor, a rise in both public and private transfer and other sources of income, and higher female participation in employment. However, as ECLAC (2013) suggests, since 2012 poverty rates have stagnated due to a general slow down in growth. ECLAC (2013) projections show 71 million people living in poverty in Latin America: the figure is equivalent to the combined populations of Buenos Aires, Mexico City and Sao Paulo. Moreover, there is a real danger for more than 50% of the LAC population for vulnerability to economic slowdown or downturn, as this percentage of population does not have any savings, access to social security or owns a house (ECLAC, 2013).

With regards to Multidimensional Poverty, the situation is a bit more difficult to portrait, given the multidimensionality of poverty and the complexity of collecting data. As a matter of fact, the measure of multidimensional poverty is a relative new concept, and is constrained by data availability, household surveys and the reluctance by many institutions to move beyond mere GDP. Although significant progress has been made in this regard, as we have seen in the first chapter, much work still needs to be done. As reported by OPHI (2017), which elaborates the Global MPI along with the United Nations Development Programme, at present, the Global MPI has estimates for a total of 19 countries in the LAC region, covering 218 subnational regions in 16 of the 19 countries, and about 495 million people (82% of the population). According to OPHI (2017) over 33 million people in the 19 countries, are multidimensionally poor. 6.6% of the population covered in the LAC region are

multidimensionally poor, and the average intensity of MPI poverty for each poor person is 41%<sup>13</sup>.

OPHI (2017) remarks that as a region, LAC is quite diverse in terms of multidimensional poverty. In 14 countries, less than 10% of the population is multidimensionally poor: in Guatemala, Honduras and Nicaragua, poverty rates are respectively 24.8%, 20.5% and 16%, and in Bolivia they are more than 20%, while in Haiti (the poorest country in the Americas) 49% of the population is multidimensionally poor. According to OPHI (2017), the poorest regions in LAC are in Haiti, Guatemala, Honduras, Nicaragua, and Suriname.

For what concerns child poverty, the rates are nearly twice as high. In Latin America, on average 9.1% of children aged 0-17 are multidimensionally poor, and the highest percentage of children living in multidimensional poverty is in Haiti (55.4%), in Guatemala and Bolivia, with percentages of 29.9% and 23.1% respectively. On average, 9% of children aged 0-17 years live in multidimensional poverty, which amounts to 14.6 million children.

As OPHI (2017) remarks, much progress in the LAC region needs to be strengthened in measuring multidimensional poverty: due to some data limitations, currently the Global MPI does not capture severe deprivations such as unemployment and under employment, insecurity and social protection. However, progress in multidimensional poverty measure is being made. As of August 2017, Panama and the Dominican Republic have launched MPI's, while Costa Rica has launched the Business MPI, a global MPI in the private sector.

As seen in these data, if we leave aside for a moment monetary poverty, and consider multidimensional poverty, we see that despite significant progress being

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<sup>13</sup> Meaning that a person is poor in 41% of all the dimensions in which he/she could be poor.

made in the LAC region over the time period 1990-2015, much still needs to be done. More reliable data and further research, with data disaggregated for gender and age, must be carried out to better frame a measure of poverty that goes beyond simple monetary poverty. Finally, some countries need more targeted policies to combat multidimensional poverty, especially among the most vulnerable groups, to make them become more resilient in case of shocks such as slowdown in economic growth and natural disasters, which are very common in some countries of the LAC region.

## 2.4 Inequality

Talking about inequality in Latin America and the Caribbean is certainly not an easy task. As everyone knows, the topic in the LAC region is especially sensitive as the region is the most unequal one for all indicators, followed by Sub-Saharan African countries (Cardoso and Helwege, 1993; Rosenthal 1996; Berry, 1998, O'Donnell and Tokman, 1998; Hoffman and Centeno, 2003; Portes and Hoffman, 2003; CEPAL, 2004; Ferranti et al., 2004). In particular, GINI inequality, which measures income inequality, is incredibly high. The data for the GINI index for the region account to a Gini of 0.52, while for OECD industrial countries, it is about 0.33. In terms of wealth and assets, the Gini coefficient is even higher, 0.809 % in 2014 (Oxfam, 2015).

Yet, the Gini index is not as commonly used as it was before to record inequality. Cepal and Oxfam (2016) evaluate inequality in comparing the growth of the top 1% to the rest of the population. Also the World Bank introduced a new indicator, the shared prosperity, to calculate how the bottom 40% of the population grows in comparison to the rest of the population.

In 2013, the World Bank (2013c) reported that over the turn of the Millennium, and noticeably even before, from the 1990s, the region experienced a very favorable economic conjuncture, with a very fast growth and economic progress. The same progress experienced led Goldman Sachs to create the term BRICS, of the fastest growing economies, which included Brazil along with giants such as Russia, India, China and South Africa. Due to this favorable economic conjunction with steady growth, in 2011 for the first time, the World Bank (2013c) recorded that there were more people in the middle class than people living in poverty. As a consequence of the strong favorable economic trend in the region, for the first time in history, labor

wages increased as well as shared prosperity, and prosperity for all groups increased greatly. Also, along with a real growth in employment, there was an increase in real income by more than 25% for all the social classes. The growth for the bottom 40% of the population, the World Bank remarks (2013c), was faster than the regional average, and thus economic growth benefitted the less privileged, the bottom 40%. In some countries of the region, like Brazil for example, where the levels of inequality were so high that economists used to refer to the country with the term *Belindia* (an oasis of Belgium wealth in a sea of India poverty) the cash conditional transfer program, launched by President Lula, the well-known *Bolsa Familia*, was incredibly successful in reducing both poverty and inequality, and its example has been studied all over the region, to replicate such success: poverty rates in the 10 years of Bolsa Familia were halved, and Gini coefficient reduced by a staggering 15%. As reported by Soares et al. (2009), cash conditional transfers were also very successful in two other countries of the LAC region, over the period 1990-mid 2000: Chile and Mexico reported impressive results as well, with a reduction of inequality by 21% in Mexico and by 15% in Chile, while representing only 1% of share in total income.

However, despite all this remarkable progress, much remains to be done in a region that still has the highest level of inequality in the world, also considering the struggling economic conditions of the period following 2015 in the whole region, along with the vulnerability of the region to extreme events such as climate change, due to the extreme dependency of the region on natural resources.

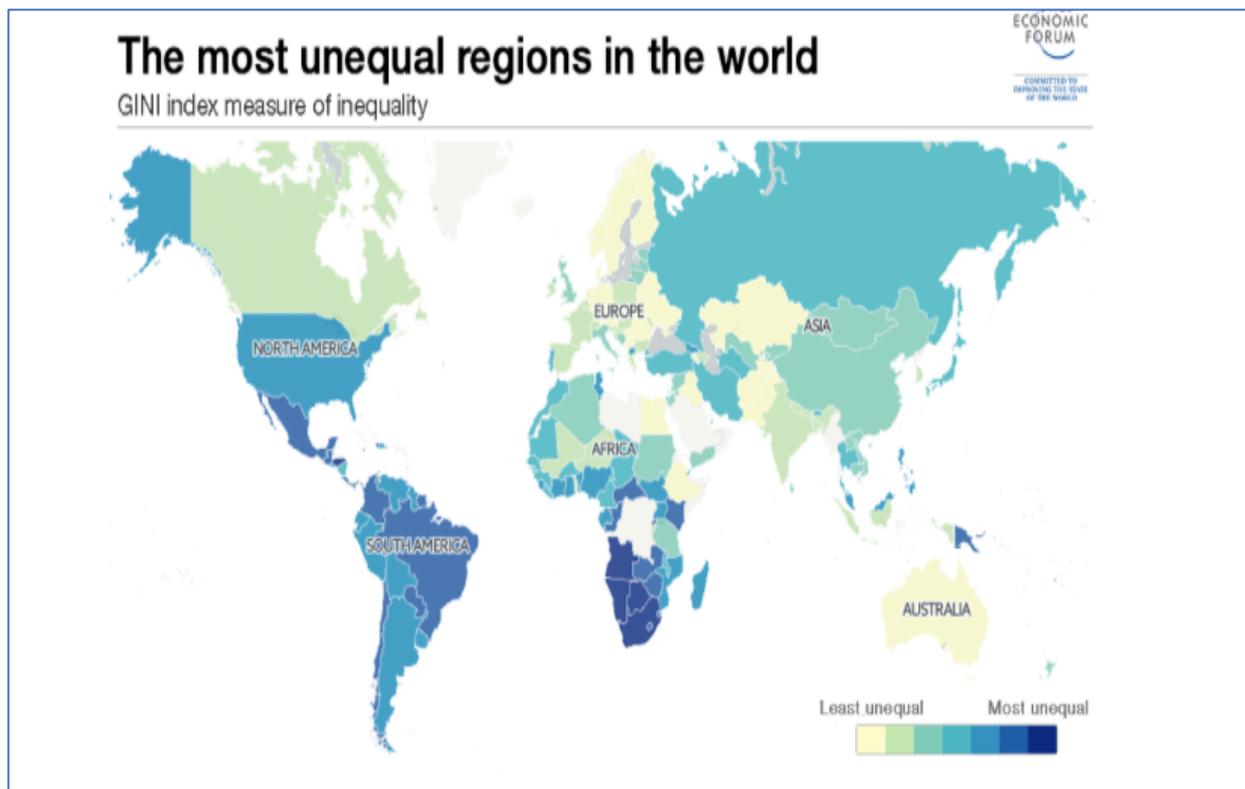
What appears clear is that when poverty rates decrease, problems of inequality begin to appear, in line with the trend of the developed world. Also, the role of the financial crisis worldwide must not be underestimated, as it favored the

big financial groups and corporations which were able to profit from low interest rates to access credit.

According to Cepal and Oxfam (2016), in 2014 the richest 10% had amassed 71% of the region's wealth. Oxfam forecasts that if the current trend of inequality in the region is sustained, in six years' time, the 1% will owe more wealth than the remaining 99%.

As calculated by Cepal and Oxfam, from the period 2002-2015, the fortunes of the Latin America billionaires increased by 21%, a figure that Oxfam estimates 6 times higher than the GDP for the entire region (3.5%). Besides being morally unjust, this concentration of wealth is also very unproductive for the LAC region, as it is kept in tax heavens, so that the wealth of Latin America and the Caribbean is not being shared among the poor and middle class, in terms of taxes and services that could be used to fund social protection programs like CCT's (which we have seen were highly successful in the region), but it is being kept in the hands of a few, at the expense of the rest of the population. The following graph shows the inequality of the regions in the world. It is important to understand that as an example, while Africa is poorer than Latin America and the Caribbean, it is less unequal than the LAC region:

Graph 26: The most unequal regions in the world



(Source: GINI Index, World Bank Estimate, 2016)

The graph above portrays very well the current situation for the LAC region: it shows in detail how every single country in the region is faring extremely bad in terms of inequality, even worse than Africa and Asia (the two poorest regions in the world). This high level of inequality is not only bad per se, but it also has a high cost on poverty. According to Oxfam (2015) if the current trend of inequality was to be reduced by 5 points between 2011 and 2019, 17.4 million people could move out of poverty, while if inequality was to instead increase by 5 points, an additional 18 million people would be living in poverty. Unfortunately, during the period of strong economic growth, some social progress was achieved, yet the effort made was not

enough, and it will be even more challenging to continue and improve such social progress in times of economic contraction.

Moreover, as briefly explained during the course of the first chapter, without any doubt, this high level of inequality must be taking its toll on democracy as well, not only on the fight against poverty. Oxfam International (2015) remarks that extreme concentration of wealth goes without any doubt with extreme concentration of power. The concentration of power in the hands of the few perverts institutions and makes them work for the elites rather than for the people, and the sense of democracy (government by the people) is lost, as the will of the elites is reflected, and not the one of the median voter. Oxfam International (2015) defines this process as hijacking of democracy, which is the loss of democracy's very nature. This phenomenon is translated in many ways: as Stiglitz (2012) argued, the 1% does not want or care about public goods, as it does not benefit from them, therefore this hijacking of democracy entails very powerful cuts in social spending. It is also translated as corruption, for example in the wrong allocation of contracts, sale of undervalued state land, political patronage and vote-buying, hiring of public employees based on political affiliation, the granting of social rights as favors, and the control of the media to limit freedom of information. Oxfam International (2015) highlights that the billionaires of Latin America and the Caribbean are centered in four sectors: telecommunications, beverages, the financial sector, and the extractive sector. All these sectors comprise 69% of the billionaires in Latin America, and as Oxfam International (2015) explains, the telecommunication sector is symptomatic of the problem: in Mexico for example, the monopolistic conduct of telecommunication billionaire Carlos Slim, the richest man of the region in 2015, resulted in loss of well-being for Mexicans equal to 1.8 percent of Mexico's GDP. The misconduct of

billionaires is also evident in the extractive industries: 3 of the 10 wealthiest men in the world are involved in the mining sector, and as it appears clear, they are able to promote rent-seeking behavior. In Colombia, the mining industry paid taxes, but received high tax breaks, and for every dollar in tax that the mining industry paid, the Colombian government failed to collect two (Oxfam International, 2015). The list of examples could go on, including the destruction of the environment, whose preservation is at all effects enlisted as a human right, but it is already obvious that inequality is not only morally wrong, and bad for our global fight against poverty, but it is a scourge that endangers our democratic societies and creates a world of violence and injustice.

Many and different challenges await the region with the highest level of inequality in the world, especially in a time of global economic downturn. The LAC region will have to be able to respond to such challenges, by reforming the taxation system for example, which right now depends on consumption, and puts a heavy burden on the low and middle income groups. Multinational companies should be required to contribute more, by reducing the tax discount that they enjoy in many countries across the region. The main challenge to reduce inequality across the region will be exactly this, to be able to construct a tax system for the 21<sup>st</sup> century, which will require more heavy taxation on the richest 1%. Without any doubt, this will be a very difficult challenge which will require concerted efforts by all countries, and the will to finally reduce the growing inequality in a trend of increased global inequality.

## 2.5 Food Security and Hunger

In terms of progress towards food security and battling hunger, the LAC region has registered impressive progress over the time span set by the MDG's agenda, even exceeding Goal number 1, to halve the proportion of people suffering from hunger. FAO (2015) reports that the LAC region started its global challenge in the time period 1990-1992 with a percentage of 14.7% of its population being affected by hunger. In the biennium 2014-2016, the percentage of hungry people had been reduced to 5.5%, proving that the region had exceeded the target set by MDG 1, and progress had been astonishing. Moreover, the region also managed to fulfill the World Food Summit (WFS) goal to halve the total number of people suffering from hunger, from 68.5 million to 34.3 million (FAO, 2015). This is a sign of astonishing progress as the LAC region was the first region to reach both MDG and WFS goals in terms of food security and hunger. Such astonishing progress was due both to the favorable economic period, without any doubt, but also, as reported by FAO in 2014, to the commitment of national governments in the LAC region to end hunger, to implement programs with social protection (such as the CCT programs). Overall, during the time span 1990-2015, hunger was reduced by almost two thirds all together.

The region was especially committed to the goal of reducing hunger by committing to the Zero Hunger Initiative, and by committing to the goal of completely eradicating hunger by 2025. In 2005, the LAC region along with FAO, designed the *Latin America and Caribbean 2025 Initiative* (HFLAC) which sets the ambitious goal of totally eradicating hunger by 2025. The plan is built upon 4 pillars, as reported by FAO (2015): coordinated strategies for food security through national and regional public policies; timely and sustainable access to safe, adequate, sufficient and

nutritious food for all people; nutritional wellness for all vulnerable groups; ensuring stability of production and timely response to natural and man-made disaster. The four pillars contained in the *Hunger Free Latin America and Caribbean 2025 Initiative* are designed to tackle effectively what could be the future challenges in a region that has registered astonishing progress in terms of hunger and food security, but which still needs to face new challenges, especially in a time of global and regional economic contraction. The first pillar entails cooperation among countries in the region to strengthen their legal and institutional frameworks for food security, facilitate trade, prevent food losses and waste and promote programs for food supply. As remarked by the Latin America Integration Association, one of the partners of the *Hunger Free LAC 2025 Initiative*, in order to defeat hunger in the region, all countries must work in a concerted effort. The second pillar of the *Initiative* is designed to address the main problem of food security to the region: access. This second pillar encourages cash conditional transfers, support for family farming and strengthening of labor markets. The third pillar encourages the creation of school feeding programs to be supplied from family farmers. Such program can both aid family farming while at the same time encouraging healthy eating habits. Finally, the fourth pillar encourages the creation of food reserves and the consolidation of public reserves in case of disaster, in a region which is often subject to extreme climate events (as was the case of the earthquake in Haiti in 2010, affecting one of the most vulnerable countries in the world). The *Hunger Free LAC 2025 Initiative* will strongly be supported by FAO, as it is one of the three priorities of FAO in the region. The other two priorities include the development and support of family farming in the region, to help countries develop policies to support family farming, and the

development of food chains in the Caribbean, a part of the region which is still lagging behind.

The fight against hunger has united the countries of the region in other initiatives, such as the *Mesoamerica Hunger Free*, and the *Hugo Chavez Hunger and Poverty Eradication Plan* in the countries of the Bolivarian Alliance of the Peoples of Our America (ALBA), or the *Zero Poverty* in Brazil, or the *Mexico without Hunger Crusade*.

Yet, despite these important and significant efforts, much remains to be done in the region, and many challenges still lay head. Chronic undernutrition in children under the age of 5 remains a serious problem, despite the significant progress made. ECLAC (2013) reports that chronic undernutrition in the region has a significant impact as it affects the most vulnerable sector of the society. It also has a damaging effect on fetal development, infancy and early childhood. It causes stunting, and affects the development of cognitive functions. A stunted child will never grow to have the same cognitive and physical abilities of a non-stunted child. Therefore, chronic undernutrition in early childhood in the region is by itself a factor contributing to the growing inequality of the region. In order to win the battle against hunger and ensure food security for all, other goals will have to be met, as underlined by Martinez and Palma in 2015: ensure full access to food, eradicate development problems in children under the age of 2 caused by undernutrition and malnutrition, create sustainable food chains and promote full access. These measures will especially be necessary in a context of stagnant hunger level, which have endured since 2013 (FAO, 2015), also given the current economic slowdown of the region.

To conclude, what appears clear is that while progress in the region has been significant, challenges still lay ahead, and efforts must be made to ensure that the

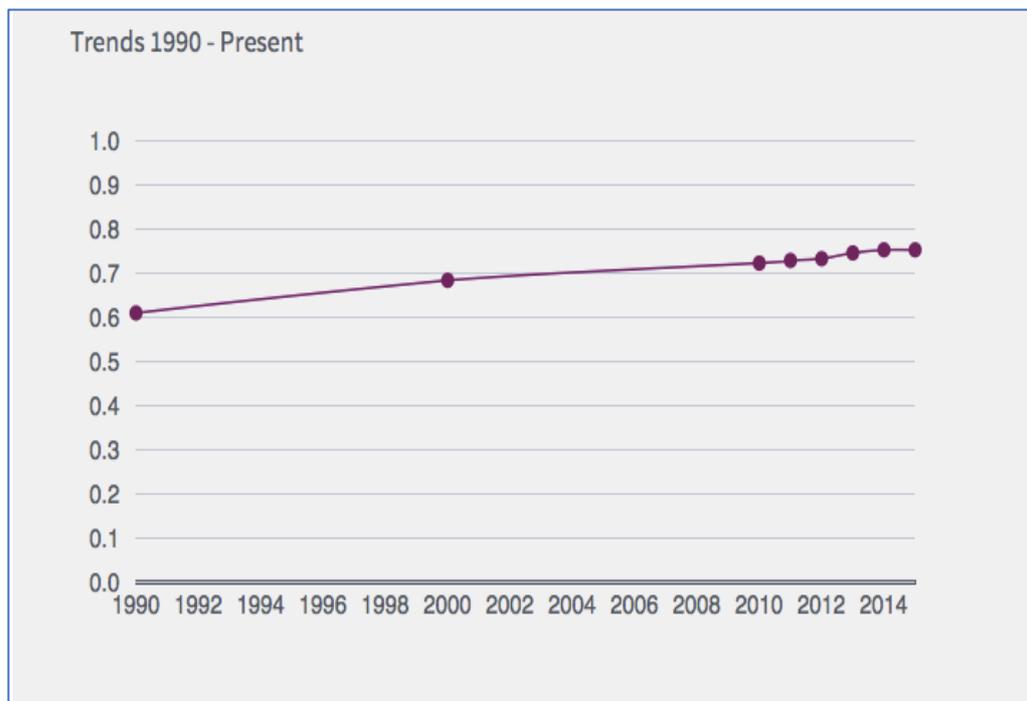
remaining 5.5% of the population affected by hunger manages to become food secure. While it may not be evident, food security is often times a concept that we take for granted in our developed societies. Yet, it is still very much a problem even in developed countries (in 2012 Joseph Stiglitz reported that 1 out of 7 Americans was food insecure) and its impact on inequality and democracy is often underestimated. Food insecurity creates a vicious cycle that engenders inequality, which in its turn creates more food insecurity, as it stops the full physical and cognitive development of human beings who are not able to work and function properly as they have not or are not being properly nourished. Also, food insecurity undermines the very notion of democracy, as it seems out of place to talk about the enjoyment of political rights, such as the right to vote, to have free press and the guarantee of social and political freedoms, when one does not even have the security of being able to be nourished. Food security is a very critical battle that must be won, as it can have a very destabilizing effect on both inequality of outcomes and opportunities, but also on the democratic functioning of a society. Latin America and the Caribbean will have to be able to tackle this important problem and not rest on past glories, this is the real challenge for the 2015-2030 agenda.

## 2.6 Human Development

In terms of human development, the overall trend for the region is consistent with the progress registered in all other indicators, although the situation is very heterogeneous in the region, with differences so strong that the latest human development report was divided into two different reports, one for the Latin American countries, and the other for countries in the Caribbean, as progress has been uneven throughout the region.

The fast paced progress that characterized the region during the period 1990-2015, also resulted in a higher human development. Progress was due to many co-existing factors: the strong economic progress, the efforts made by the development organizations and the national governments to tackle poverty, with targeted aid programs (CCT's for example), along with also improved factors such as higher literacy rate, better sanitation, and the halving of poverty, as seen in previous sections. Just as a few examples of the impressive progress made by the region in terms of human development, Brazil, the most populous country in Latin America, registered significant progress in its HDI. Brazil's HDI, which is measured on a scale from 0 to 100, was 0.61 in 1990, while it reached 0.754 in 2015. The below graph highlights the progress made by Brazil in the time period 1990-2015), showing, however, that progress has been stalled since 2013:

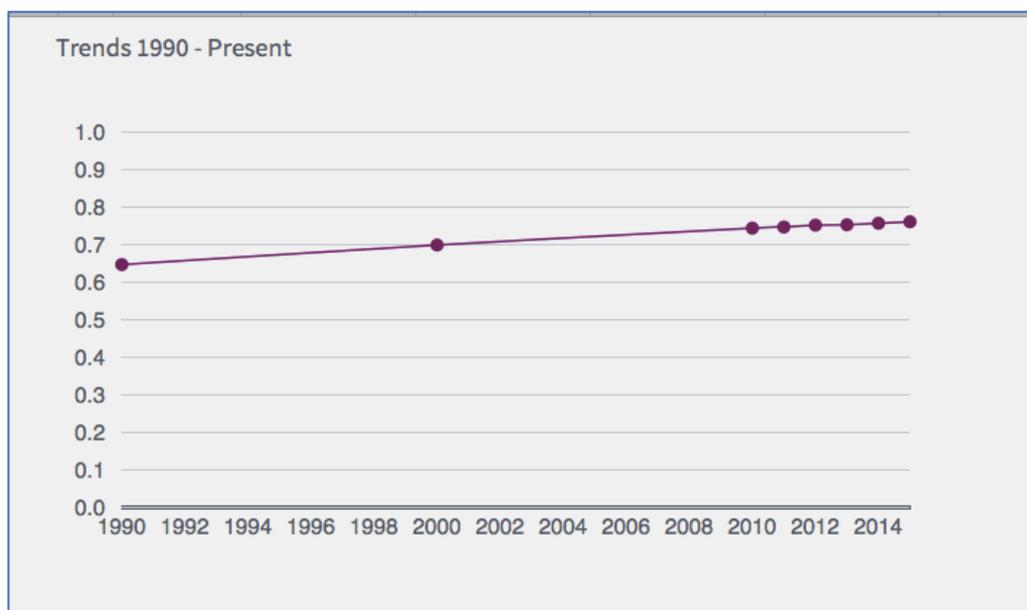
Graph 27: Brazil's HDI 1990-2015



(Source: UNDP, 2017)

Another country in Latin America, Mexico, registered similar progress along the time span taken into account. Mexico's HDI went from 0.64 in 1990 to 0.762 in 2015, as highlighted in the following graph:

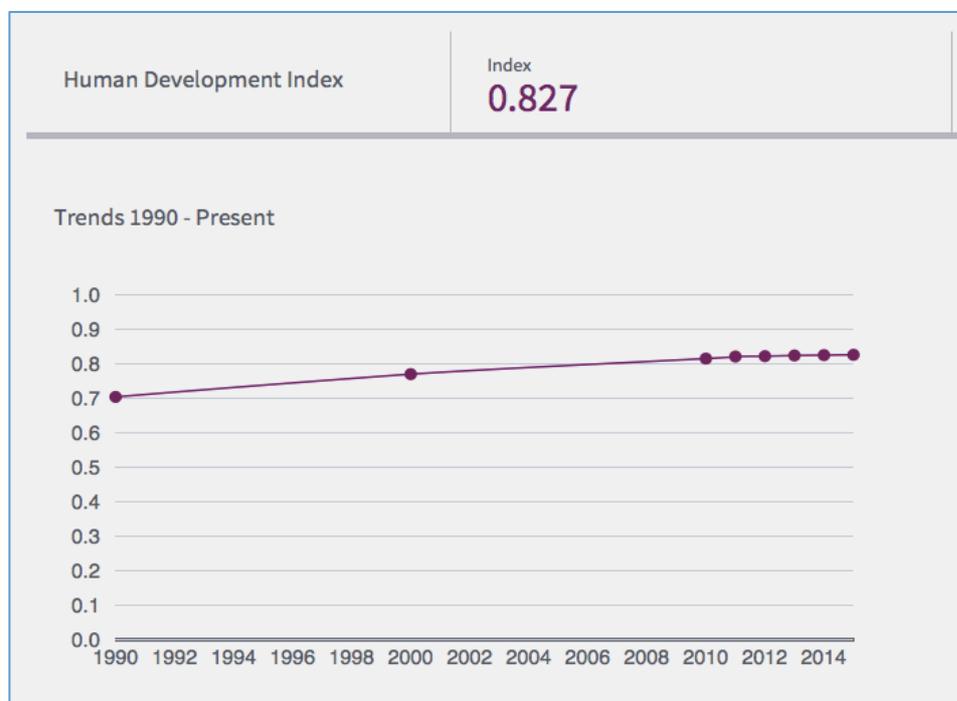
Graph 28: Mexico's HDI 1990-2015



(Source: UNDP, 2017)

Another country among the five most populous countries in Latin America, Argentina, registered similar progress during the time span 1990-2015. Argentina's HDI went from 0.70 to 0.827, registering impressive progress in the region, as indicated by the following graph:

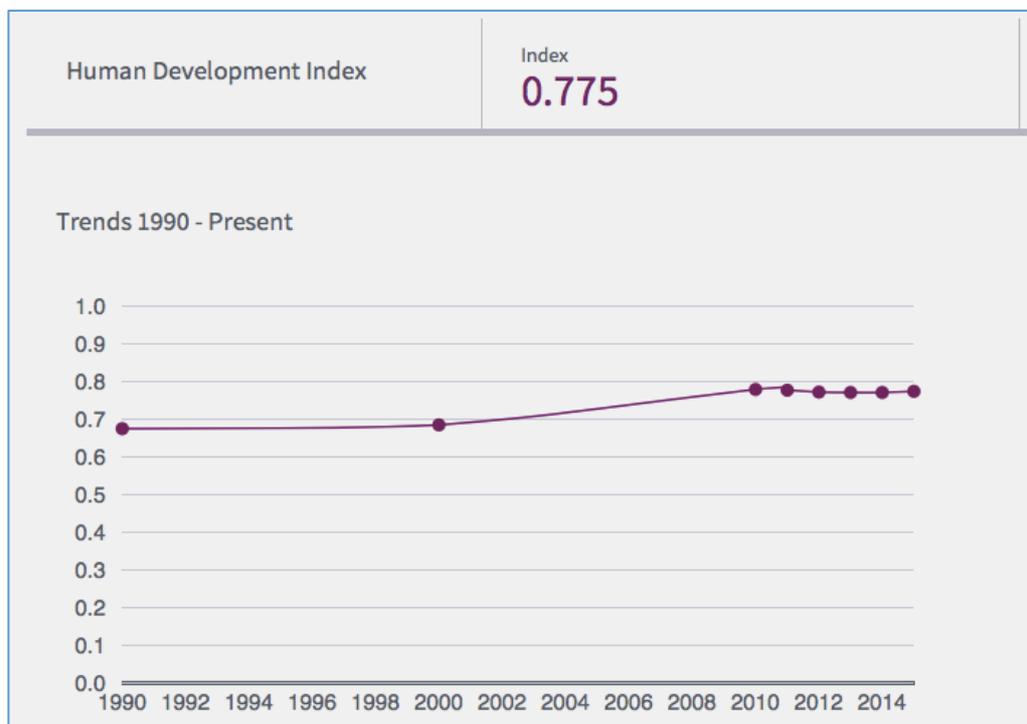
Graph 29: Argentina's HDI 1990-2015



(Source: UNDP, 2017)

Similar trends of significant progress can be found across the Latin American countries. However, the situation is not always the same in the Caribbean countries, where progress has been much slower. For example, the HDI for one of the most successful countries, Cuba, for the time span 1990-2015 was from 0.67 to 0.775 in 2015, and progress has been constant during the years, as shown by the following graph:

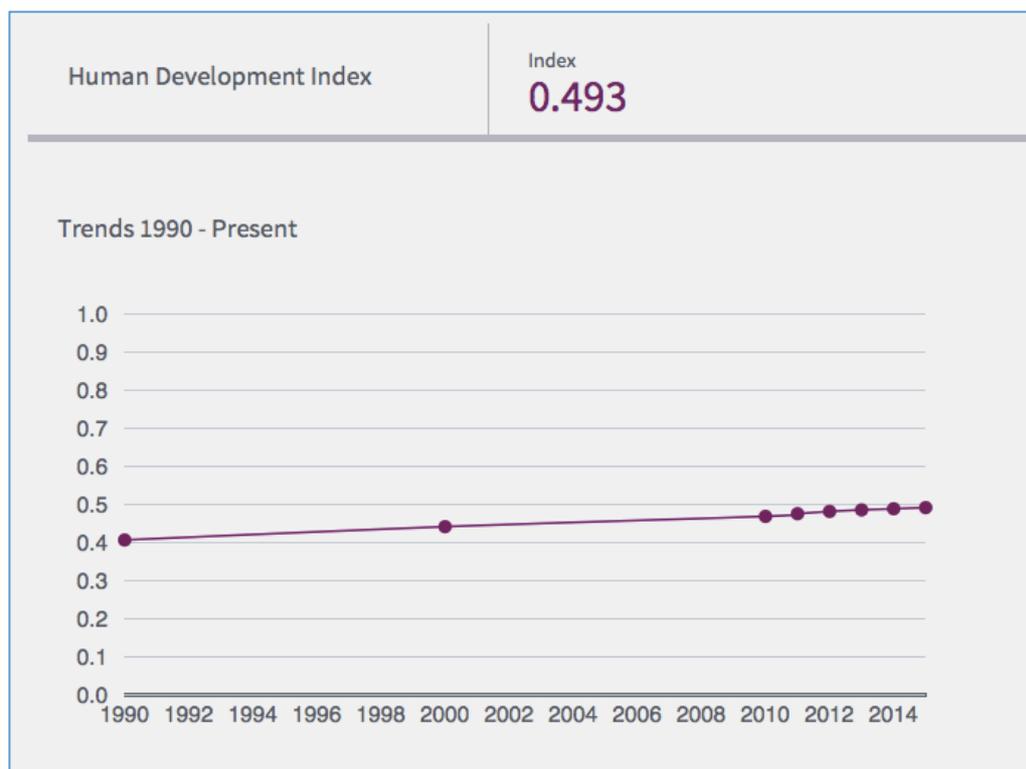
Graph 30: Cuba's HDI 1990-2015



(Source: UNDP, 2017)

However, Cuba represents an exception in a region with in general an extremely poor record. If we look at Haiti, we see a very modest progress in almost a quarter of a century. Haiti's HDI went from 0.40 in 1990 to 0.493 in 2015, and progress has been overall very slow, as remarked in the following graph:

Graph 31: Haiti's HDI 1990-2015



(Source: UNDP, 2017)

Other countries in the Caribbean fare below average in terms of human development. Furthermore, despite the significant progress of the countries in Latin America, inequality poses a serious threat to the human development of the region. If we look at the Inequality Adjusted HDI, introduced in 2010, which records inequality across all sectors, we see that if inequality is taken into account, all countries lose severely: Brazil HDI goes from 0.75 to 0.56, Mexico's from 0.76 to 0.58, Argentina's from 0.82 to 0.89. While an official inequality index is not available for Cuba, Haiti's level of inequality sets back the country significantly: from 0.49 to 0.29, a score which takes it back to levels much worse than those of 1990 in terms of human development.

However, inequality is not the only significant challenge that both the Latin America and the Caribbean countries will have to face in the future, in order not to lose the significant progress made, and continue to move forward. For the remaining part of this section of progress in human development, the Latin America countries and the countries of the Caribbean will be dealt separately, as there are very significant differences and different challenges.

For what concerns the countries of Latin America, as highlighted in the latest Human Development Report (UNDP, 2017), although progress has been very remarkable, new and important challenges will have to be faced. The economic slowdown is not the only threat that risks setting back millions of people into poverty, the UNDP (2017) reports. The report highlights concern for 25-30 million people that risk falling back into poverty, more than a third of those who left poverty since 2003. The 2016 report highlights that these people are mainly young and women who work precariously in the service sector, and constitute 38% of the vulnerable population, two out of five people of the region who are not poor (they live above the \$4 a day

poverty threshold for the region) but they were not able to rise to the middle class (live on less than \$10 a day). While in the past these people were able to get out of poverty thanks to education and labor markets, the report now identifies four main pillars that must be strengthened in order to protect the vulnerable ones: social protection, care system, physical and financial assets and labor skills. This is what is defined as the resilience basket for the region, necessary in times of economic slow down. The HDR report calls for a new paradigm about human development in line with the sustainable development goals, which must go beyond income, economic growth and GDP. New multidimensional indicators must be considered in the region, in order to guarantee progress beyond income. The HDR highlights that progress cannot be achieved without the respect for local communities, human rights, respect for the minorities and sustainability for the environment. The report calls for the protection of the progress achieved thus far, avoiding that people slide back into poverty, while at the same time promoting inclusive policies to protect those sectors of the population that have historically been discriminated.

The report remarks that during the period 2003-2013, 72 million people were lifted from poverty and 94 million rose to the middle class. The region HDR highlights that in the time span 2003-2008 8 million were lifted from poverty and between 2009-2013 5 million were lifted from poverty. However, in 2015 and 2016, for the first time in decades, the region saw an increase in the number of poor women and men. The report highlights that the new rise is not only due to the economic slowdown but is also due to the limits of labor and fiscal expansion and to the rise in informal jobs, especially because in LAC countries many jobs were created in the service sector, with low percentage of productivity and high informality. Moreover, the cash conditional transfer programs have reached their ceiling, and the level of taxation

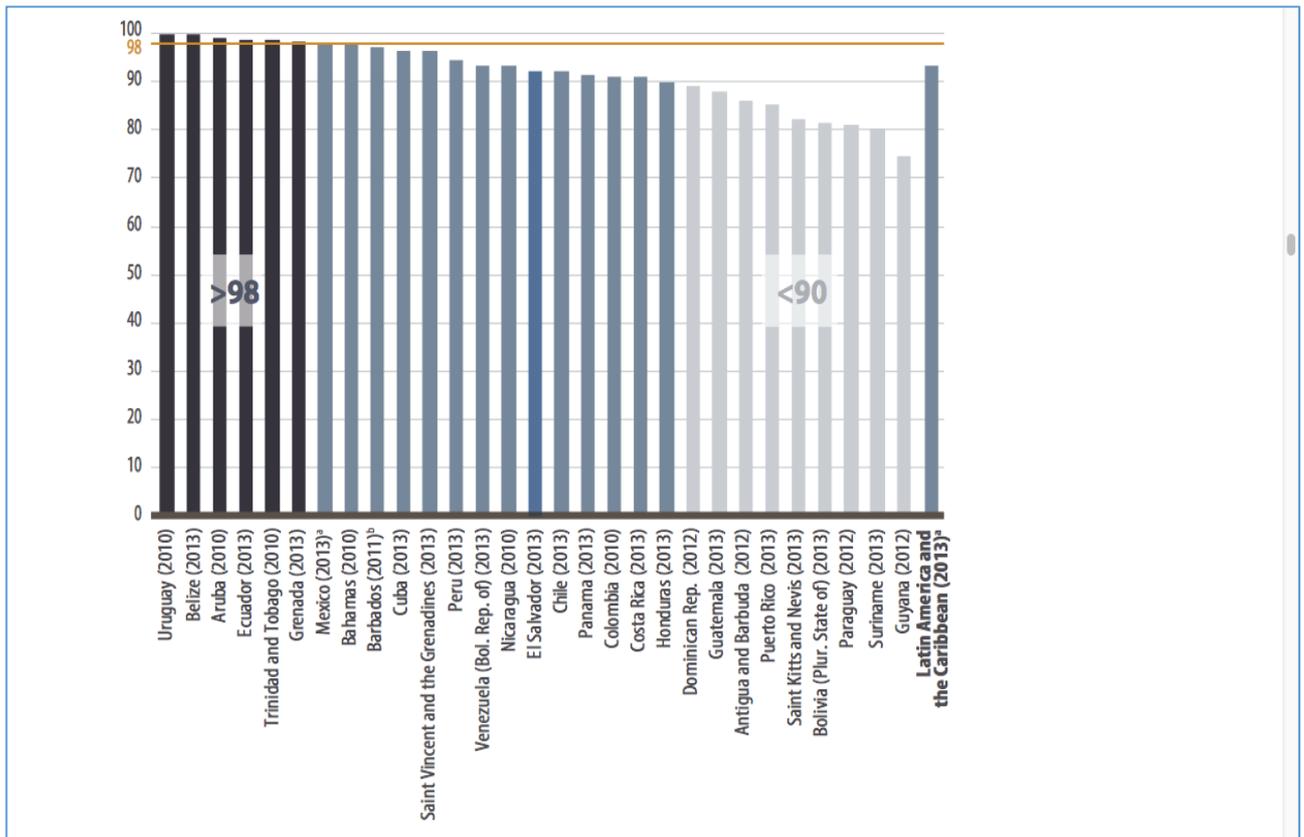
that is borne by the poor is so high that it cancels out the benefits received. Moreover, investing in women and care policies, the report argues, is key for progress also due to the demographic changes that are taking place.

As the research focuses on Brazil, Argentina and Chile, which are all Latin American countries, I will only briefly touch upon the Caribbean HDR, for the sake of completeness. For what concerns the Caribbean countries, the HDR focuses more on environment resilience, given the fact that the region is often victim to environmental disasters that threaten the stability of the system and the progress achieved so far. The HDR also calls for progress along multidimensional lines, and stresses the importance of women's protection, as they face more discrimination and are disadvantaged in the labor market, with lower level jobs and lower payment, while being more educated. The report also stresses the need to reduce the high debt of the region which is preventing them from receiving aid funds.

## 2.7 Education

In terms of education achievement, Goal number 2 of the MDG's required that by 2015, all boys and girls would be able to complete a course of primary education. As ECLAC (2013) underlines, education is a primary human right that allows to overcome poverty and progress towards a better life, as it allows human beings to unlock social and economic progress. In terms of progress the region has achieved much, but more challenges lie ahead. Enrollment rates have been very high in the LAC region, with an enrollment rate at 94%. However, the enrollment rate for primary school has been the same since 2000, showing that progress has stalled. UNESCO (2014) reports that according to available data, about 4 million children in the LAC region were not enrolled in primary education in 2013. The ECLAC report also underlines that nine countries in the region have enrollment rates below 90% and only six countries above 98%, which is the level established by UNESCO for universal primary education. The following graph highlights how countries in LAC are faring in terms of primary education coverage:

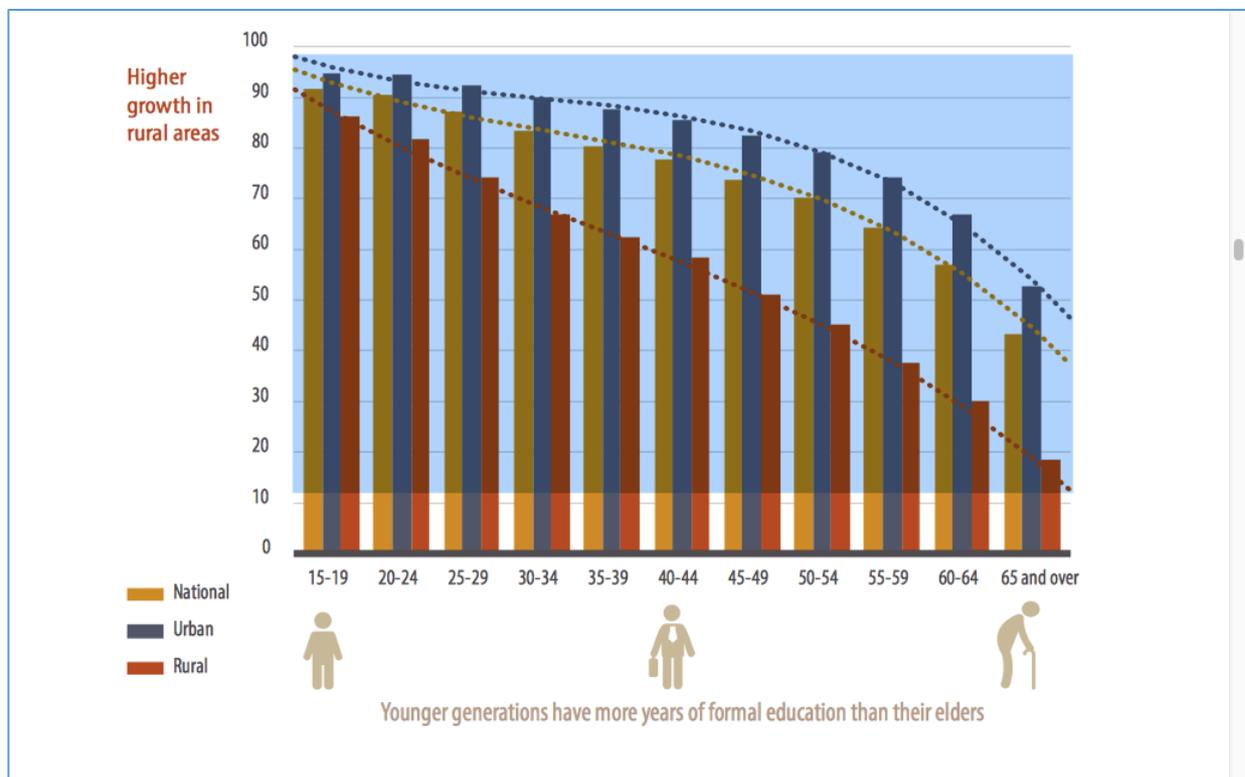
Graph 32: Primary Education Coverage LAC



(Source: ECLAC, 2013)

Along with primary school enrollment, positive results have also been seen in the completion rate of young people aged 15-19. Although there are still many drop-outs and repetition, 92% of youths aged 15-19 have completed a full cycle of primary education. There has been a significant improvement in the completion rates in the last few decades, as shown by the following graph:

Graph 33: Years of formal education



(Source: ECLAC, 2013)

Despite the significant progress, the completion rates fall short of the universal completion rates, and inequalities are evident even in education. Only 85% of young people aged 15-19 among the poorest 20% of the population have

completed primary education, and only 82% in the same age group have completed primary education among those living in rural areas.

Progress has been also remarkable in terms of literacy, where illiteracy rates have fallen dramatically since 1990, by almost 75% in people aged 15-24. In 2015, illiteracy rates fell from 6.9% to 1.7% (UNESCO, 2014). However, some countries are lagging behind, such as El Salvador, Guatemala, Guayana, Haiti, Honduras, Jamaica, Nicaragua and the Dominican Republic with illiteracy rates for the youths of more than 2%.

Inequalities are also obvious in the region when it comes to secondary education. Although there has been substantially progress, ECLAC (2013) highlights that providing access to secondary schooling, as well as progression and completion remain a major challenge. In 2012, only 73% of the secondary-age adolescents were enrolled in school, and only 57.5% of youths aged 20-24 had completed secondary schooling. ECLAC (2013) remarks that the real challenge that the region is called to face now is to ensure that the population gets secondary education as this is the real instrument to overcome poverty, as it is the minimum level of schooling necessary to earn enough to escape the poverty trap. However, ECLAC (2013) also stresses the need for sound, good quality education, which is the tool to overcome intergenerational cycles of poverty, ensuring better living conditions and health care, broader opportunities and decent work.

To conclude, much progress has been made in the past, through extensive programs also thanks to the well cited CCT programs<sup>14</sup>, and strong labor markets, which worked as strong engines for growth. However, now that we are reaching the limit of both CCT programs and strong labor and economic growth, the new

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<sup>14</sup> Usually, one of the conditions to receive money or food aid in the CCT programs is children's school enrolment.

challenge will be to ensure that extensive education coverage is provided, in order to provide the tools for the new generations not to fall into poverty again. Extensive efforts will need to be concerted by national governments and the international community, to make sure that universal education is indeed treated as a basic human right and respected. Only through education, the new generations will be able to escape poverty and inequality, will be more informed about their democratic rights and will be able to fight for a more democratic and more equal world.

## 2.8 Employment and economic growth

In terms of progress in employment and economic growth, the region has experience significant progress here as well. For what concerns employment, the last decade has been very favorable for the region. Employment is a key factor to overcome poverty and secure rapid and fast growth, and the last decade has seen very strong progress in terms of both the percentage of population employed and the minimum wage. ECLAC (2013) reports that during the last decade, the region reached the best indicators of employment in the last 20 years, both in terms of real wage and minimum wage, and the percentage of population employed has increased from 52.7% in 2000, to 55.7% in 2013 (the last year for which data are available). Also in terms of women's employment, which is the world's Achilles' heel, as women are an underutilized source in the labor market (the average participation in labor force accounts to 80% for men and only 50% of women, and half of women's productive potential is left untapped), the region has been faring remarkably well. An IMF paper prepared by Novta and Wong (2017) reports that the LAC region in this regard has been very successful in obtaining gains from women's participation in the labor market, in the last two decades. This is a very positive signal both for the improvement of the economy in the region, but also as a very important drive to reduce poverty and inequality, and ensure a more democratic society.

Other positive results in terms of employment have been recorded in terms of the percentage of unemployment, which in 2013 was at 6.4, down from the 2011 figure of 6.7%, and the lowest that the region had seen in the last few decades (ECLAC-ILO, 2013), which is a very important marker, especially compared to other countries, which have had to withstand the negative consequences of the financial crisis that started in 2007-2008 in the United States with the *Leman Brothers too big*

*to fail* crush and expanded through the world. The ECLAC-ILO bulletin (2013) remarks the positive result, especially in a time of modest economic growth (of about 3%), and a decreasing of urban unemployment by about 400,000.

Yet, despite all the positive results and overall marked progress, many challenges still remain to be tackled. First and foremost, ECLAC (2013) reports that while informal employment has been decreasing, precarious working conditions are still very common: about 50% of LAC urban workers are employed in low-productivity sectors, and the proportion is higher for women than for men. 50% of women and 44% of men are informal workers, with differences, ECLAC (2013) reports, as high as 10 percentage points in countries such as El Salvador, Nicaragua, Peru and Bolivia. In particular, the proportion of workers in low productivity sector has been steady for the last two decades, showing no sign of progress at all. Moreover, the report by ECLAC-ILO (2013) questions the sustainability of the economic growth achieved in the last decade, and the ability to maintain the new jobs that were created in the tertiary sector (with much of the demand being for non-tradable goods and services, and imports) even in a time of low investment. What could happen for LAC is that much of these jobs are lost, and therefore the challenge will be to find new ways to secure the future of its workers.

For what concerns economic growth in the region, as reported by OECD and IDB in a joint document (2016), the region experienced strong economic growth during the last two decades, with an average rate of growth over a steady 3% per year. This sustained economic growth was mainly due to high commodity prices, good macroeconomic policies, sound social policies and structural reforms. All these features resulted in an accelerated growth that contributed to the overall fight against poverty and managed to reduced the high inequality that characterizes the region,

and at the same time, education, healthcare and social protection (under the form of CCT's and other important measures). Among the macroeconomic policies that successfully sped up the LAC economy, Damil and Frenkel (in Cornia, 2014) underline that there were successful policies that managed floating exchange rate regimes to preserve competitive exchange rates or to avoid excessive appreciations. At the same time, Damil and Frenkel report (2014), there were successful fiscal reforms, to correct the pro-deficit bias of earlier periods. These successful changes greatly improved the LAC economy, and were also able to have a pull effect for other developing countries, via better trade (Damil and Frenkel, in Cornia 2014). Also, changes in trade liberalization that took place from the 1980's contributed in the sustained growth of the period, although it is very difficult to determine how these trade changes impacted inequality.

Yet, despite the important changes and progress that took place over the last two decades, there are signals that things are not progressing as expected. OECD and IDB (2016) underline that growth slowed down from 2012 and turned negative in 2015, ending the good conjuncture that the region had been experiencing. Moreover, the report underlines that even before 2012, although growing very strong, the economy of the LAC region never managed to match the economy of the majority of OECD countries, due to different productivity capabilities, which resulted in weak productivity for LAC. The report (2016) underlines how citizens also lack services of high quality, in particular education and health care, while labor market policies must be strengthened. The joint report by OECD and IDB underlines how the LAC region, in order to ensure sustainable and continuous growth, must first of all boost productivity by empowering workers and promoting new innovative strategies and

entrepreneurial dynamism, focusing on better education, better services, strengthening the research sector.

What appears clear from the analysis of employment and growth in LAC, is that new and important challenges will need to be addressed. Employment and growth are key factors to overcome poverty and also to combat inequality, to make sure that the region is finally able to overcome these important issues and find more stable political scenarios. Moreover, stable economic countries are usually able to defend their democratic structure better, as extremist movements and populisms find less fertile ground to grow.

## 2.9 Women's empowerment

With regards to gender equality and women's empowerment, as required by goal 3 of the MDG's (Promote gender equality and empower women), progress in the LAC region has been significant, yet much still remains to be done. As ECLAC (2013) points out, the majority of progress has been achieved slowly but steadily in the last 20 years, but more needs to be done especially with respect to women in rural areas, women of African descendants and women belonging to minorities. As ECLAC (2013) remarks, although the progress in access to secondary and tertiary education for girls has been significant and more successful than the progress remarked for boys, in other fields such as labor access for example, the proposed targets were not reached. As remarked by UNESCO (2014), access to primary education was lower for girls than for boys, although the target was achieved (ratio of boys to girl between 0.97 and 1.03) while girls were fairing slightly better for what concerned access to secondary and tertiary education (1.07 and 1.29 respectively). Yet, some countries are still lagging behind even in access to primary education, such as Antigua and Barbuda, Dominican Republic, El Salvador, Grenada, Saint Lucia, Saint Vincent and the Grenadines, and Suriname. Other countries are below target in secondary education to detriment of girls, such as Guatemala and Saint Vincent and the Grenadines, while Mexico has not achieved gender parity in tertiary education.

Unfortunately, the good advancement in girls' education, has not matched progress in labor market, where women continue to be discriminated. As ECLAC (2013) remarks, women still face more obstacles in access to the labor market and for what concerns career path. They are often more educated than men, and yet they face more obstacles in career progression and have a lower pay and a much

harder time at obtaining the right to a pension later in life. The percentage of women working in non agricultural sectors has improved significantly to 44%, an increase by 6%, according to ECLAC (2013). Yet, ECLAC (2013) underlines how for every 100 dollars earned by a man, a woman earns 87 dollars and data after data show that women are more at risk of poverty than men, and in some countries the poverty rate for women is 50% higher than for men.

For what concerns women in key positions, there has been significant progress in the region, especially due to the changes in the executive, legislative and judiciary system. Since 1990, the region has multiplied the number of seats for women in National Parliaments, and also the number of women at the highest level of national government (ECLAC, 2013). In 2015, the percentage of women in national parliaments was around 30%, the target established, but only 9 countries in the region had passed the target and in general, progress for women has been uneven in the region, with some countries still lagging behind.

It is important to remark that Goal number 3 of the MDG's is the only goal to address the question of inequality, and the attainment of Goal number 3 can be a key factor in reducing inequality of all kinds in the region. Women in the region are still exposed to lower levels of education, difficulties in accessing education, lower paid jobs and lower representation and participation in the decision making process.

Another aspect that is detrimental to the achievement of gender equality and women empowerment is the high rate of violence against women, registered in the region. As reported by the Pan American Health Organization in 2012, evidence indicates that violence against women has different patterns than violence against men, but has very high social costs in the region. In the study carried out by PAHO, several key factors were evident: first of all, it appears that intimate violence against

women perpetrated by the partner is widespread in Latin America and the Caribbean. Moreover, the intimate violence ranges from single events to chronic, long-term violence. The study also shows that emotional abuse and manipulative behavior is also common in the region and closely linked to physical violence as well. What appears even more destabilizing, according to the 2012 study, is that violence against women appears to be widespread in all socioeconomic groups, to signify that violence against women is a cultural factor, largely spread in the society. Large portions of women in all LAC countries report at least some episodes of violence in their lives, with a strong correlation between experiencing violence in early childhood and experiencing violence as an adult. Such high levels of violence are detrimental to reproductive health, and physical and mental health of the children, and have very high social costs, with money spent both to prosecute the abusers and to care and help the recovery of women. Also, in the region there is widespread acceptance of violence against women, with women too often not willing to report their abusers. Such aspect is a key aspect in the fight against inequality. Violence against women perpetuates the cycle of inequality in all aspects. Abused women, women who fall prey to violence, end up emotionally and physically affected. In their turn, they raise children who will most likely end up being victims of abuse, mentally sick, depressed, with low self-esteem. This pattern of mental illness, emotional distress and lowered self-esteem constitutes a chain that perpetuates a vicious cycle of poverty, inequality and violence.

Achieving gender equality and empowerment of women is a key to better, and fairer societies. Study after study on food security and household surveys has shown for example, that when women are responsible for the distribution of food and the allocation of resources, all children, even girls, are allocated the right amount of food.

Women fare much better in terms of children upbringing. Mentally and physically healthy mothers will raise healthier children, both mentally and physically, who will grow with a healthier vision of the world, a fairer distribution of resources and will be able to break the vicious cycle of poverty, inequality and violence. Promoting gender equality and empowering women is a key factor in the fight against inequality. While the old statistical saying remarks that correlation is not causation, the recent rise in inequality in the world, even in the traditional rich Western countries, and the growing, alarming violence against women which is increasing every day, yields fertile ground for new research paths.

## **2.10 Child well-being**

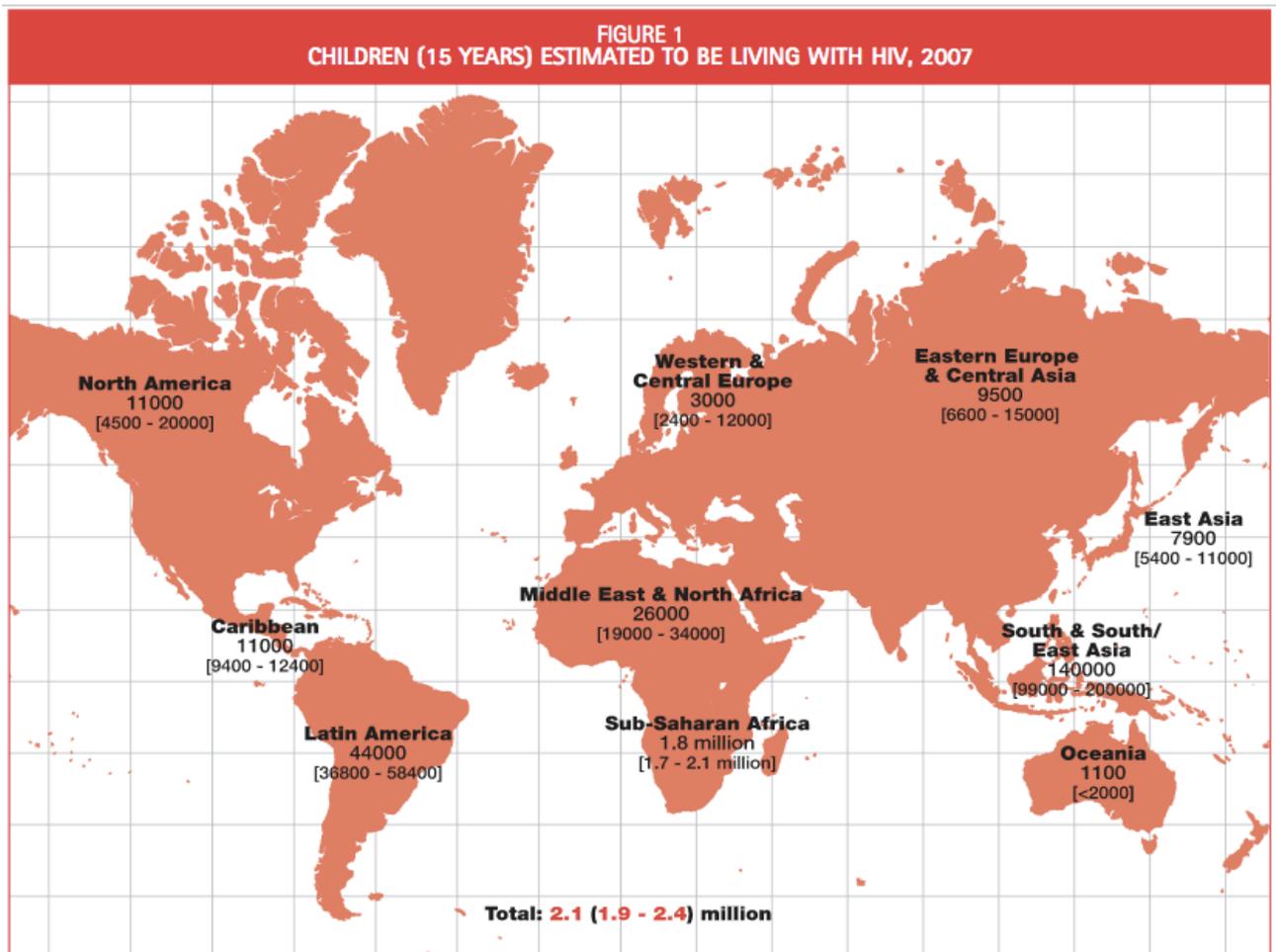
One of the MDGs, goal number 4, called for the reduction of child mortality in the time span 1990-2015. In this regard as well, the region has known outstanding progress. As reported by ECLAC (2013), by 2013, two years earlier than the target goal, the region had managed to reach the target of reducing by two-thirds the mortality in children under the age of 5. As a matter of fact, the deaths for every 1,000 live births diminished from 54 to 18 in the time span taken into account. The substantial progress made in this respect, as reported by ECLAC (2013), was mainly due to several factors: intense immunization, re-hydrating, encouragement of breast-feeding and regular check-ups, declining fertility rate, as seen in the change of the population pyramids in the first section of this chapter, women's empowerment, and the many development aid programs that improved food security and schooling for children. Yet, ECLAC (2013) underlines that while at regional level the target has been reached and progress has been substantial, in actual terms, only five countries have reached the target of reducing children's mortality by two thirds: Brazil, El Salvador, Mexico, Peru and Bolivia. Other countries, while not managing to reach the goal by 2015, were by that time very close, within 2%: Antigua and Barbuda, Chile, Cuba, Nicaragua, and Saint Kitts and Nevis, and had recorded therefore very significant progress as well. Cuba in particular registered the lowest mortality rate and managed to bring its mortality rate at the same level of the developed countries, but Cuba has a story of its own in the region as it has already been discussed during this chapter. Other countries have not been able to be as successful: Haiti registered rates as high as 70 deaths for 1,000 live births, but Haiti has also been subject to extreme natural events such as the earthquake in 2010, therefore its situation is not typical. Yet, much progress remains to be made, as the situation for children is still

worrying and it has been calculated that in Latin America and the Caribbean, one child under the age of five dies every three minutes. ECLAC (2013) reports that for the year 2013 there were a total of 196,000 deaths, whose 60% occurred during the first year of life, and 50% during the first 28 days of life, due mainly to asphyxia, infection and prematurity. Moreover, in the region, the main causes of death for children under the age of five are diarrhea and pneumonia (WHO, 2014). ECLAC (2013) reports that other common problems are malnutrition, lack of basic facilities in the house, and mothers living in vulnerable conditions. The countries that are faring the worst in regards to child mortality and child well-being in general are Venezuela, the Dominican Republic, Guatemala, Haiti and Peru, where there are basic problems, and measles immunization is below 85% of the targeted population (while in the countries that are doing better measles immunization is above 90%, with some countries even faring at 95% like Brazil, Belize, Cuba, Nicaragua, Ecuador, Bolivia, and Uruguay). Yet, in 2015 there were many cases reported in Brazil, Chile and Mexico, a sign, as ECLAC (2013) reports, that immunization cover might be falling, and more effort might be necessary in the future.

But mortality in children under the age of 5 is not the only problem that children in general face in the region. A joint document by ECLAC and Unicef (2008) reported that the percentage of children with HIV/AIDS in the region was still very high, with children under the age of 15 accounting for 17% of the new infections in 2007, 2.1 million of the estimated 33.2 million of people living with HIV/AIDS in the region. In Latin America, about 44,300 children under the age of 15 have HIV/AIDS, while 11,000 in the Caribbean (ECLAC and Unicef, 2008). Moreover, vertical transmission (mother to child) is still prevalent in the region, a sign that something in the prevention and treatment of the virus is not working correctly. The following

graph shows the magnitude of the challenge in the region, with particular relevance especially in Latin America:

Graph 34: Children living with HIV in the world (estimates)



(Source: UN-AIDS, 2007)

As can be seen by the above graph, the situation in the LAC region is very worrying as it is the region with the highest percentage of HIV/AIDS in the world after Sub-Saharan Africa, with a generation of children who has never known a world free of HIV/AIDS. While commitment to reduce this pandemic is very strong, and progress has been made in reducing the price of drugs, much still remains to be done in the

region, especially in terms of vertical transmission, early diagnosis, and awareness raising measures (ECLAC and Unicef, 2008).

Other interconnecting factors that children face in the region, which are all interlocked with inequality, are violence and poverty. In the LAC region, poverty has the face of children (ECLAC and Unicef 2008), with children being the most vulnerable age group of all. Poverty is a violation of human rights and it prevents the development of capabilities, food security, causes stunting and is likely to be transmitted between generations, feeding more poverty and more inequality. LAC is a region where poverty is particularly intense for children, who are deprived on many levels in all but three countries (Chile, Costa Rica and Uruguay). Moreover, as ECLAC and Unicef suggest (2005), while overall poverty in the region substantially decreases (as seen in a previous section of this chapter), poverty among children increased greatly in 13 of the 17 countries analyzed by ECLAC and Unicef (Argentina, Brazil, El Salvador, Panama, Costa Rica, Uruguay and Venezuela in particular saw a significant increase of poverty among children compared to early 1990s, at least by 3%).

Violence against children is also very common in the LAC region, and although significant progress has been made in terms of measures to avoid violence against children, it is still not sufficient to tackle the issue. According to the United Nations' Special Representative of the United Nations on Violence against children (2014), a study carried out in 18 countries of the region shows that at least one third of the countries in the study had implemented laws against bullying, and Bolivia and Costa Rica had ratified the Third Protocol on the Convention on the Rights of the Child, which would allow children to denounce to the United Nations violations of their rights. Yet, the report identified, and this is true for many topics in Latin

America, there is a substantial failure in data availability, with many countries failing to register, report and monitor abuses against minors. As argued by the United Nations, there is a significant difference between the provisions of the Third Protocol of the Convention of the Rights of the Child and the daily reality of abuse and struggle that children face every day.

What appears from this brief section on the situation of children in the LAC region, is that along with the progress registered in all indicators in the time span 1990-2015, many important struggles remain to be faced, especially in a future with more uncertainty and less economic growth, which could impact the most vulnerable sections in particular, with children being the first victims of setbacks.

## **2.11 Infrastructure, development and social issues**

As reported by mainstream literature, inadequate infrastructure has long been one of the main barriers to growth in Latin America and the Caribbean. As highlighted in an IMF working paper by Cerra et al. (2016), while the LAC region has made significant progress, more effort is needed in terms of improving infrastructure. As a matter of fact, poor infrastructure often creates social problems, interferes with the development of the countries, and the ability to attract good, solid investments. Aware of this fact, several countries in the LAC region have focused their attention on investing into strengthening the infrastructures, in order to boost productivity and being able to experience growth over the long term. Due to data limitations, the IMF research (Cerra et al., 2016) focuses mainly on three types of infrastructure, energy, transport, and telecommunications, registering progress over the time span 1990-2015 and reflecting about possible challenges in the future. In general, the IMF study (Cerra et al., 2016) reports that the infrastructures of LAC compare favorably with the infrastructures of other emerging regions, but still fare below the level of developed economies, and below some of the fastest growing economies, such as Emerging Asia.

For what concerns the energy sector, the IMF (Cerra et al., 2016) report that progress in this sector has been significant over the past years, but still it fares below the standard of developed regions. In the time span 2001-2013, 13% of the population in LAC did not have electricity coverage, while the advanced economies such as Europe, Canada and the United States, had virtually total coverage. Moreover, electricity generation is similar to Emerging Asia, but it fares well below the levels of Europe, the United States and Canada.

In terms of road infrastructure, LAC fares really poorly compared to the advanced economies. The IMF (Cerra et al., 2016) reports that the density of road infrastructures for LAC, calculated as km of road per every 100 sq meters of land, was 13.2 km, compared to 43.8 kms for Emerging Asia, and the gap is even wider when compared to Europe, Canada and the United States.

In terms of telecommunications, LAC has experienced significant progress over the past. While still lagging behind in terms of fixed telephony, with only 45% of the population owning a fixed line, it has made incredible progress in terms of mobile communication, with 98% of population owning a mobile phone (Cerra et al., 2016). While in 1990, less than 3% of the population used a computer and the internet, this figure increased to 19% in 2014, while unfortunately only 7% of the population uses broadband, while the average use for the emerging and advanced economies is respectively 25% and 34% (Cerra et al., 2016). Telephone infrastructure in LAC has improved significantly, matching the same levels of Emerging Asia, but still fares below the standards of developed economies (Cerra et al., 2016).

In terms of development and progress, the region is moving at full speed, especially in terms of its commitment, yet many actions still need to be taken. As reported by the FAO's Regional Office for Latin America and the Caribbean (2017) significant progress is being made in the fight against hunger and for targeted development programs to reduce poverty and inequality. The region appears very committed in eradicating hunger and it has made this mission as one of the key elements. Many countries are focusing on this target, which has a very important impact on inequality: Antigua and Barbuda are receiving support for the *Zero Hunger Challenge*, Barbados is getting technical assistance to implement its school feeding program, Belize and the Bahamas are developing indicators to measure progress of

the *CELAC Plan*, and Bolivia is developing the *CELAC Plan* to eradicate hunger, while Brazil is making progress in its *Zero Hunger Challenge* and *Brazil without misery*, while Chile is implementing its *South-South Cooperation* to improve the nutritional situation of children under the age of 5 in Jamaica and Guyana (FAO, 2017). Therefore, the whole region is very committed to eradicate hunger, and end poverty and inequality. However, commitment needs to be constant, especially in a future of economic slowdown as the one forecasted. The main risk is a new relapse into poverty for many people, the most vulnerable ones.

In terms of social unrest that contributes to inequality and endangers the democratic nature of the region, Latin America and the Caribbean is especially vulnerable to social violence and crime. As underlined by the World Bank in 2008, in recent years, governments in the region have started to acknowledge the urgency of the matter, the toll that crime and violence take on the fair and sound development of the democratic societies. Without any doubt, the difficult political past of the region, which has been home to some of the bloodiest dictatorships on the planet, and the high level of inequality and poverty are all good reasons to understand the high incidence of crime and social violence. The World Bank in 2008 acknowledged among other contributing factors the rapid urbanization, the authoritarian family structure, post conflict cultures, illegal drug use and trafficking. As a matter of fact, Latin America and the Caribbean is considered as the most violent region in the world, with homicide rates as high as 36 every 100,000 people (while the world average is 11) (WHO, 2002). Recent figures show that in 2015, there were 59,080 murder cases in Brazil: this figure equals to the total number of homicides in the United States, China, all of Europe, Northern Africa, Japan, Indonesia, Australia, Canada and New Zealand combined altogether (59,012) (Metrocosm, 2017). Most

homicides and abuses happen in rural areas, and the victims are often young males aged 16-24; in slums, death rates can be as high as 200 people every 100,000, with again young males being both victims and perpetrators. The region is also interested by high rates of domestic violence, aggression, bullying and abuse. Violence and crime, besides being highly destabilizing on a society and morally unfair, are also a liability for the whole society, as they take up resources and impoverish a region which is already vulnerable to poverty. Crime and violence, in terms of costs for the judiciary, health care, private security, time loss, etc, consume up to 14% of the LAC GDP (Guerrero, 1999). If one thinks about this figure, a figure that could be invested in education, food security, sanitation, one understands the toll that social violence and crime are taking on the LAC region. Social violence and crime have a very high economic cost, as they take up a significant amount of resources, create disruption, divert resources from productive sectors to protective measures, alter consumer behavior, and alter price of good and service (Luengo-Cabrera, 2017). Although the economic externalities caused by crime and social violence are very different to evaluate exactly, it is sure that the cost of such externality is very high not only economically. Social violence and crime alter the democratic fabric of a society, alter the sense of community, create gated society, where the wealthy live isolated and protected, feed inequality and poverty in a vicious cycle that becomes very difficult to break. Every strategy designed to reduce inequality and poverty in the region, must first of all be aware of the magnitude of the problem in the region, the economic and social costs in terms of disempowerment, sense of hopelessness, social stigmata. Then, all this considered, it must be able to propose effective measures that tackle the issues, as inequality and poverty and lack of representation and social freedoms and rights are more easily perpetrated in unstable scenarios of violence and crime.

## 2.12 Conclusion

As outlined in this second chapter, the Latin America and Caribbean region over the time span of 1990-2015 (which closely mirrors both the time span of the Millennium Development Agenda, and the new path to democracy of the region after a very tragic political past) has made impressive progress in all the dimensions chosen. Many other dimensions could have been presented but were omitted as not immediately relevant to the object of the research, which is the complicated relationship between poverty inequality and democracy, and the results would not have been very different. Latin America and the Caribbean made significant progress in the 25 years taken into account, the region was able to overcome a very difficult past, marked by political injustice, dictatorship, poverty, hunger and inequality, and it has turned around the destiny of many of its people, taking millions and millions of people out of poverty. But while there was a time before 2010, in which the battle seemed finally won in the region, the outlook is no longer as positive, and from 2013 there has been a resurgence of poverty. Moreover, inequality is still the legendary black beast of the region. A recent study on Brazil carried out by Thomas Piketty's World Wealth and Income Database (Morgan, 2017) seems to contradict the general knowledge that inequality had a steep decline in the last 25 years, and actually states that income inequality did not change very much over the last 14 years (the study takes into account the time span 2001-2015), and the economic growth of the period had little or no impact on income inequality, as it was captured mainly by the richest 10%. If this was really true, new and important measures will have to be sought to eradicate this social problem.

The next part of the research will focus on each of the three countries chosen, and will present research and data to explore the relationship between poverty, inequality and democracy.

## PART II: BRAZIL



### 3. BRAZIL: POVERTY, INEQUALITY AND DEMOCRACY (1990-2015)



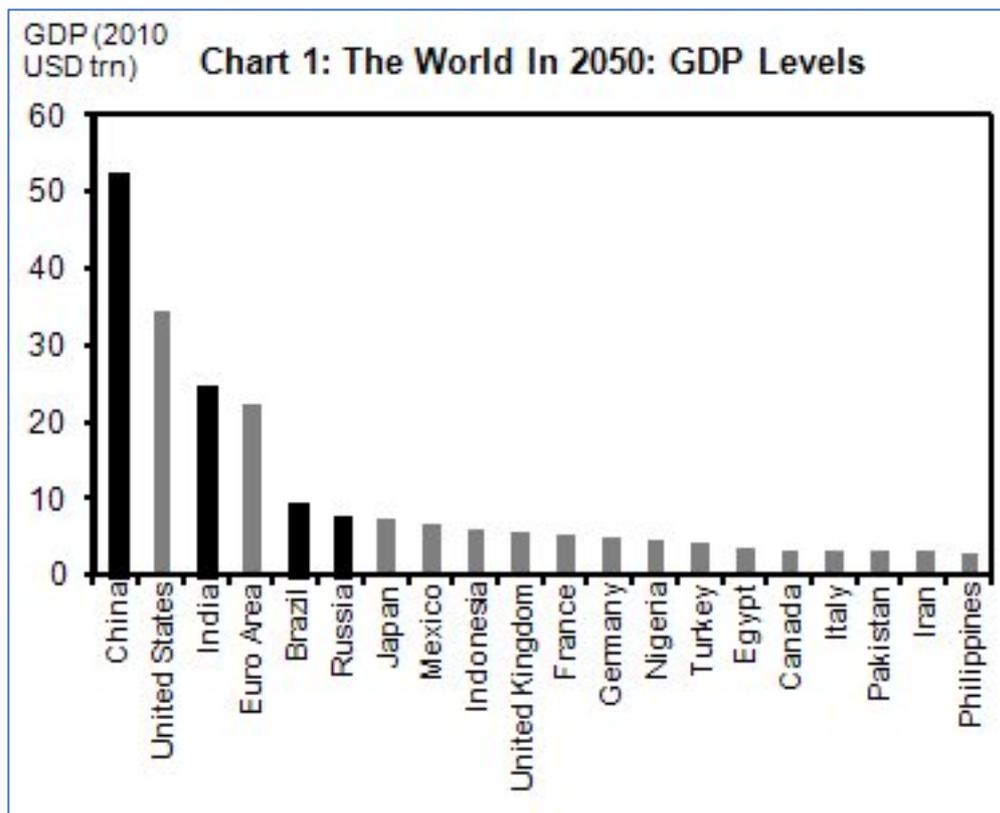
### 3.1 Introduction

In this first chapter of the section on Brazil, I will present the situation of Brazil, the most populous country of Latin America. Brazil is a particular relevant country, as it is the biggest country both in South America and in Latin America, the one with the largest population in the region. It is the world's fifth largest country by size, and sixth by population. Brazil stands alone in Latin America, separated by language from its neighbors, as it is the only country in the region to speak Portuguese. Up to 2010, it was one of the strongest and fastest growing economy, so strong that Goldman Sachs, as explained during the course of the third chapter, created the term BRICS, an acronym of the strongest economies of the time<sup>15</sup>, and forecasted that by 2050, Brazil would be the fifth strongest economy in the world, as per the below graphs:

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<sup>15</sup> The term BRICS stands for Brazil, Russia, India, China and South Africa.

Graph 35: The World in 2050 according to GDP levels



(Source: Goldman Sachs, 2003)

Graph 36: GDP predictions for 2050

### GDP prediction for 2050 (billions US\$)

Group	Countries	2050	2040	2030	2020	2015	2010
BRIC		128.324	74.483	40.278	20.226	13.653	8.640
							
G7		66.039	53.617	43.745	36.781	33.414	30.437
							

(Source: Goldman Sachs, 2007)

However, fifteen years later, things did not turn out as Goldman Sachs forecasted, and despite the significant progress made, Brazil relapsed into a spiral of poverty, inequality and corruption. Yet, Brazil is a very resilient country, with a wealth of natural resources. In terms of inequality, the country matches the levels of South Africa, another country whose level of inequality is very high. The situation in Brazil was so severe in terms of poverty and inequality that the term Belindia (see chapter 2 of the first part) had been coined. Yet, Brazil was able to improve significantly its conditions, through targeted programs and the joint effort of the development community. Brazil's history is especially significant if one thinks about its political past, the 21 years of dictatorship that the country endured, from April 1964 to March

1985. Moreover, it was not only the history of Brazil, as unfortunately the country was inserted in a context of dictatorships that had seized the whole South America, with few exceptions. The country endured a difficult situation of political dictatorship, where human rights and political freedoms, the same freedoms that we now take for granted, were a luxury that the whole region could not enjoy. When thinking about the struggle that Brazil had to endure, one cannot separate it from its past, marked by colonization, dictatorship, poverty and lack of basic human rights and freedoms. Brazil can offer some valuable lessons, examining the progress made in terms of reduction of poverty and inequality, and for its struggle to overcome decades of a bloody dictatorship and for its progress in a path towards democracy. Some topics still need to be tackled, such as the growing corruption, which currently represents one of the major obstacles to the democratic path of the country.

This chapter will present the progress and challenges made during the time span 1990-2015, closely mirroring the development of Brazil with the MDGs, just as I did for the whole LAC region in the second chapter. I will closely look into population growth and the determinants of the Brazilian population, the change in demographics over the 25 years taken into account and consider what will be the challenges for the post 2015 agenda for an aging population. Then I will examine what progress has been made in terms of some of the most important MDG's, such as poverty reduction, halving hunger and granting food security, pursuing economic and employment growth, improving primary and secondary education, reducing child mortality, promoting gender equality, women's empowerment and child well-being. The research into these topics is particular relevant as Brazil has made outstanding progress, some of its governments during the 25 years taken into account have promoted some of the most successful measures (one case that has been studied

worldwide being the well-known *Bolsa Familia*), yet progress has been cyclical and not able to solve the high level of inequality of the country. Moreover, the democratic path of the country has often been hijacked by widespread corruption and rent-seeking behavior. This first part of the chapter will deal with progress and challenges in Brazil in the period 1990-2015.

The second chapter will actually present research on the relationship between inequality and democracy. Data analysis using the most important indicators of both outcome and opportunity will be carried out in order to find patterns of correlation between inequality and democracy, and between democracy and inequality. Poverty will also be examined in relation to both inequality and democracy, to see if there are any possible implications, if higher or lower levels of poverty are associated to both inequality and to democratic governance.

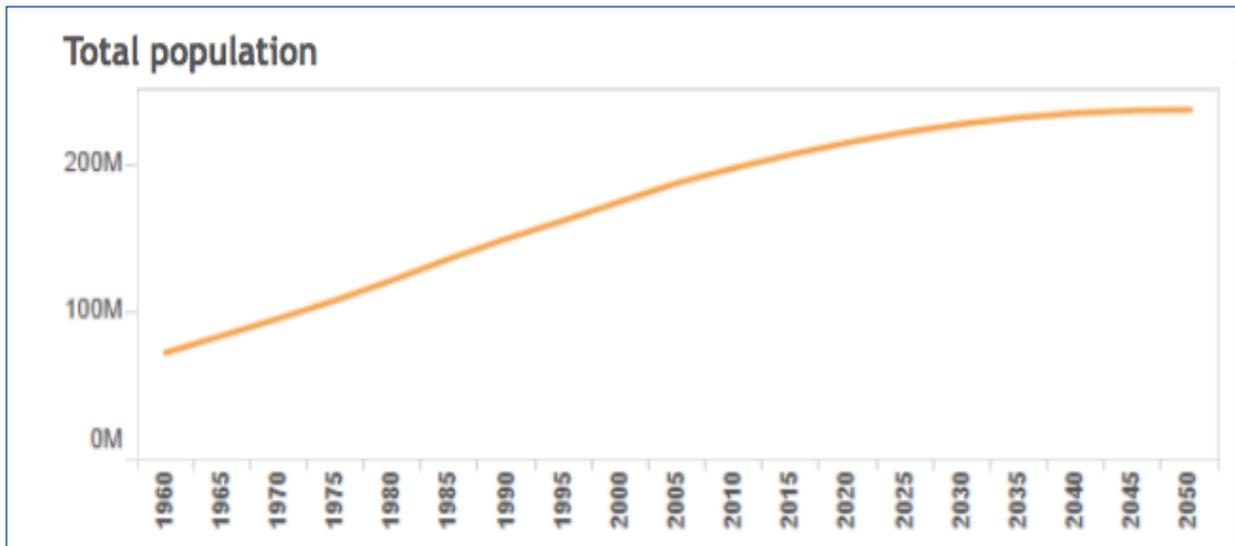
The definition taken into account will be the one used by Morlino (2011), although only the most relevant procedural aspects will be taken into account (some of them are not relevant to the research, while others, such as inequality, would be tautological to use).

### **3.2 Population growth in Brazil 1990-2050**

This section presents the main changes in demographics in Brazil for the period 1990-2015, with projections for the year 2050. As detailed research about the changes in demographics for the population of LAC has been presented for every five years in the third chapter, this chapter will only present population changes for the year 1990, 2000 and 2015, with projections for the year 2050. Such a choice is due to the fact that while detailed research was provided every five years for LAC, allowing to analyze slow changes, better and remarked changes in the population pyramids are visible allowing more years between the different population pyramids. In such a way, it will be possible to clearly notice the change in the population pyramid shape, the growing of the population, and all the changes for all indicators.

For what concerns total population, we see that over the 25 years taken into account, there is a significant increase in the total population in Brazil, going from about 150 million in 1990, to about 207 million in 2015, following a consistent trend of growth in population, although we can see from the graph below that the population growth is forecasted to significantly slow down from the year 2015, in line with the behavior of the more developed countries:

Graph 37: Total population Brazil

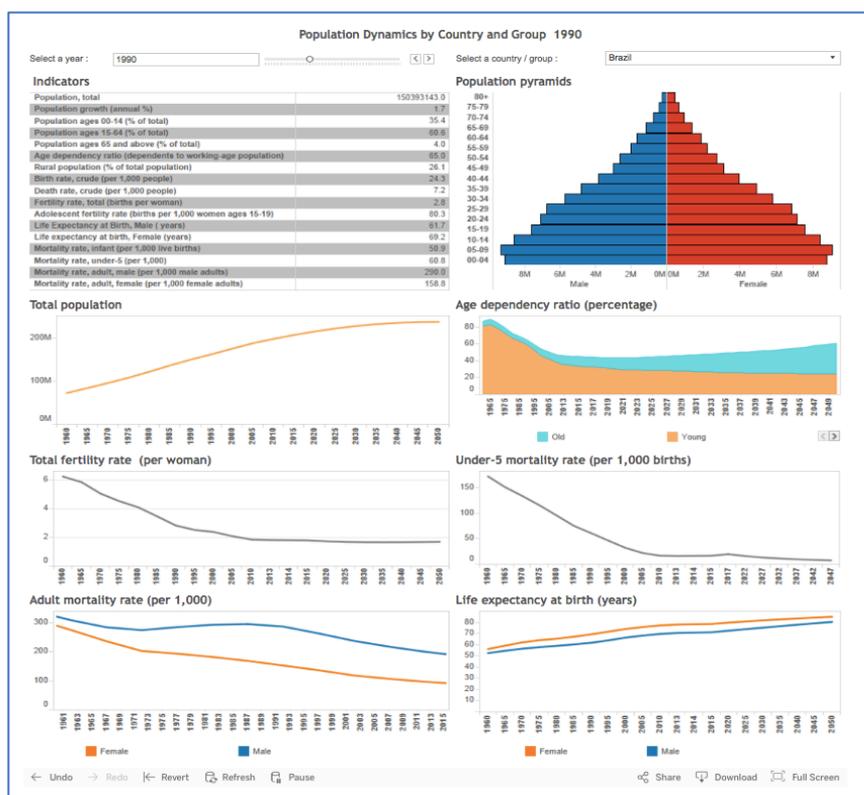


(Source: World Bank, 2017c)

As it can be seen when looking at the population growth in Brazil, the country experienced a significant increase since 1960, which became even more pronounced during the 1980s, with the end of the 21-year-dictatorship and a strong economic growth during the 1990s and 2000s.

If we start to analyze changes in the population over the 25 years taken into account, we see significant changes. For what concerns the population pyramid of 1990, as we can see in the following graph, the pyramid has all the features typical of a developing country, with high fertility rates, high mortality rates, a young population (proof that both birth rates and mortality rates are still high):

Graph 38: Brazil's Population 1990



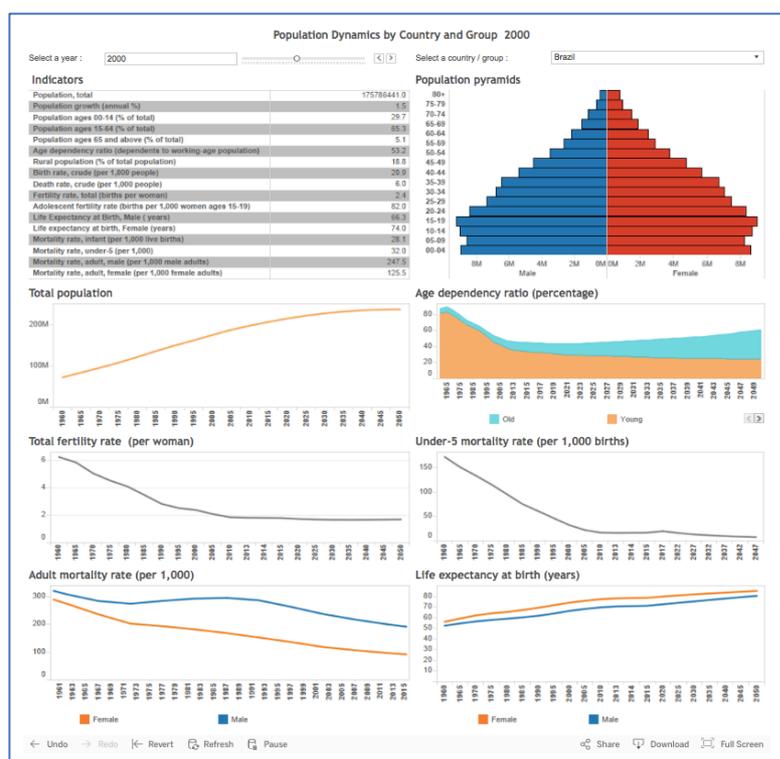
(Source: World Bank, 2017c)

The pyramid has a very large base, showing that the majority of the population is young, and the pyramid shape gets narrower as age progresses. The shape of the pyramid for Brazil in 1990 is in line with the shape of the pyramid for the LAC region, also given that Brazil is the largest country in the region, and it contributes largely to the total population of the LAC region. We have a total population of over 150 million

(which means that Brazil alone makes up for a little over one third of the total LAC population, about 446 million people), with an annual increase of the population of 1,7% (in line with LAC increase, which is of 1.9%). The majority of the population is in the age span 15-64 (60% vs 59% of LAC), and 26.1% lives in rural areas (29.5% in total LAC). The crude birth rate per 1,000 people is 24.3 (26.6 for LAC), while the crude death rate is 7.2 (a little over the 6.9 of LAC). The fertility rate per woman is 2.8 (below the 3.2 of LAC), and the mortality rate among infants is very high: 50.9 (above the average number for LAC of 43 every 1,000 live births). The mortality for children under the age of 5 is again higher than the average for LAC (60.8 in Brazil against 54.3 in LAC). The average life expectancy in Brazil is 61.7 for men and 69.2 for women (lower than the 64.6 and 71.1 for and significantly lower than Italy and Japan).

In 2000, we see significant change happening to the population pyramid, as highlighted by the graph below:

Graph 39: Brazil's Population 2000



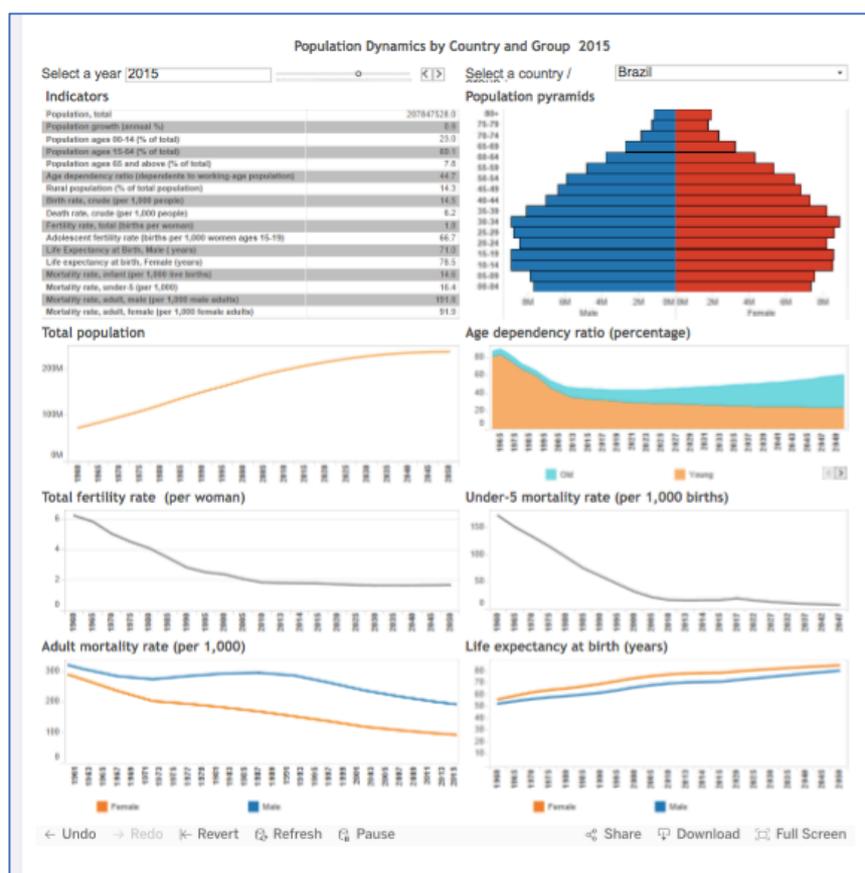
(Source: World Bank, 2017c)

The changes in the 2000 population pyramid are significant: the shape of the pyramid is now less steep, with all the age segments significantly more populated. The population now amounts to a little over 175 million (making up exactly one third of the 526 million people living in the whole LAC), and the annual increase for the population amounts to 1.5% (with a slowdown from the past, and in line with the annual increase for LAC). 65.3% of the population is in the age span of 15-64 (this 5% increase over 10 years is a sign of an aging population, and is more marked than the total for LAC, 62.5%). The rural population has decreased by 8 percentage points, from 26.1% to 18.8% (while the average for LAC is 24.7%), which is a sign of rapid urbanization, with all the problems that this entails, such as crime, pollution, inequality just to cite the most common. The crude birth rate has decreased to 20.9

(while the average for LAC is 22.5 every 1,000 people) while the crude death rate has decreased to 6.0 (in line with the average of LAC 5.9 every 1,000 live people). The fertility rate for woman is 2.4, decreasing by 0.4 (a little below LAC average of 2.6). The mortality rate in infants has significantly decreased to 28.1 (a little over the 26.6 for LAC), while the mortality rate for children under 5 is still high, 32.0 per 1,000 live births (in line with LAC average). Life expectancy at birth is 66.3 for men and 74.0 for women (a little below the LAC average of 68.3 and 74.9, and well below Italy and Japan).

Further change can be seen when analyzing the population pyramid for the year 2015:

Graph 40: Brazil's Population 2015



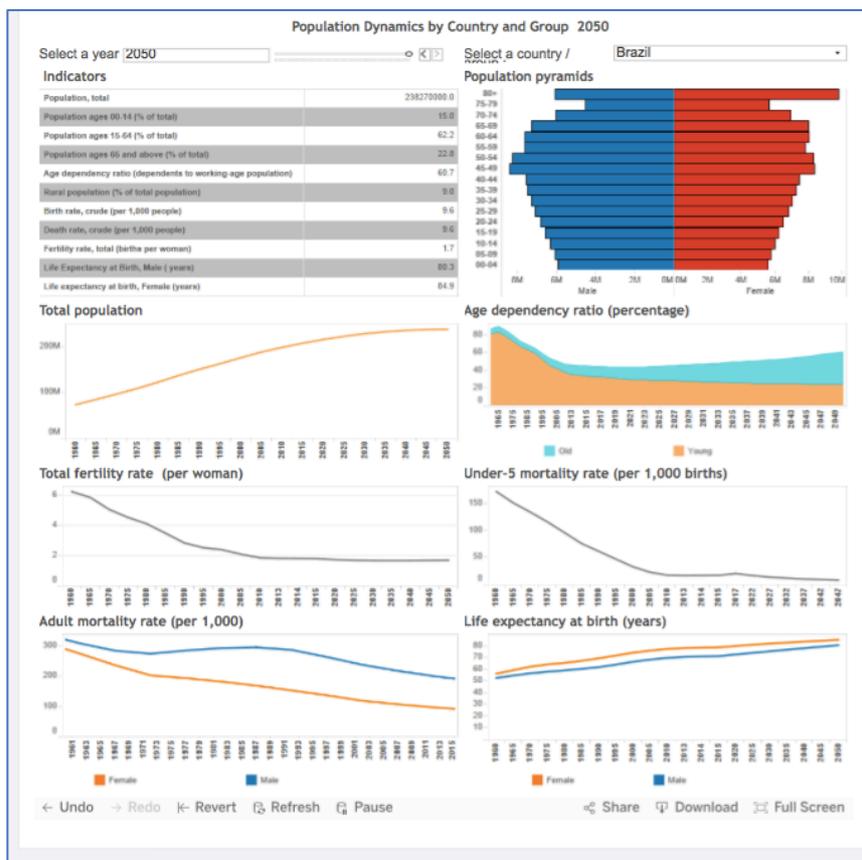
(Source: World Bank, 2017c)

As can be seen, the shape of the population has completely changed over the 25 years taken into account. The pyramid now has lost its typical shape and has a significantly squarer shape, which is a sign of an aging population. Although it is still not comparable to the typical square shape of the US, it does show profound population change. The total population for the year 2015 amounts to 207 million (now a little less than one third of the 633 million people living in the LAC region). The annual population growth has decreased significantly to 0.9% (from 1.7% of 1990, and below the LAC average of 1.1%). The majority of the population is in the age span 15-64 (69.1, an increase by 4 points with respect to the year 2000, and 2

points above the LAC average), while the rural population has decreased further, 14.3% (from 26.1 of 1990 and 18.8 of 2000, faring significantly below the LAC average of 20.1%). The crude birth rate is now 14.5 every 1,000 people (down almost 6% from the year 2000, and below the LAC average of 17.1), while the crude death rate is 6.2 (substantially unchanged since 2000 and in line with the LAC figure of 5.9%). The fertility rate for woman is 1.8, decreasing from 2.8 of 1990 and 2.4 of 2000, and below the LAC average of 2.1. The infant mortality is 14.6 (a decrease by almost 50% in 15 years, and below LAC average of 17.1 every 1,000 live births), while the mortality rate for children under the age of 5 is 16.4 (again, a reduction by almost 50% in 15 years, and a little below LAC average of 18.0). Life expectancy at birth is 71.0 for men, and 78.5 for women (life expectancy is now higher in Brazil than in LAC, where it stays at 69.7 for men and 76.3 for women, but still significantly lower than Italy and Japan, by almost 10 years for both genders).

If we look at the forecasted population pyramid for the year 2050, as projected by the World Bank (2017c), we see remarkable changes:

Graph 41: Brazil's Population 2050



(Source: World Bank, 2017c)

As we can see from the projections by the World Bank, the shape of the pyramid has been lost, and the pyramid now has a square shape. The total population is now forecasted at a little over 238 million (a little less than one third of the total forecasted population for LAC, 782 million). No data is available for Brazil for forecasted population growth. The majority of the population is still in the age span 15-64 (62.2%, a decrease by 7 percentage points with respect to the year 2015, as the population is now aging, in line with the forecasted figure for LAC, 63.4%), while the rural population is forecasted to be only 9% of the total population (about one third of what it used to be in 1990, and 4 percentage points below the LAC average). The

crude birth rate per every 1,000 people is forecasted at 9.6 (below LAC average of 11.0) while the crude birth rate is forecasted at 9.6 (above LAC average of 8.6). Fertility rate is forecasted to decrease even further, 1.7 births per women (down from 2.8 of 1990, and in line with LAC average), while there is no forecast available for mortality rate for infants and children under the age of 5. Life expectancy is forecasted at 80.3 for men and 84.9 for women (in line with what is forecasted for LAC, and about 6 years below the figures forecasted for Italy and Japan).

To end this brief population outlook, we can see that during the 25 years taken into account, Brazil experienced significant changes, it improved many of its indicators, such as life expectancy, mortality rate among infants and children under the age of 5. Yet, it also experienced challenges as lower fertility rate (which is both a positive and a negative element, as it entails several consequences such as an aging population, the problem of social security contributions, but also reflects women's empowerment, improved education and in general a better life for women and a better availability of resources in an overpopulated country), and rapid urbanization (at a speed faster than the average for LAC). Brazil is a key country in the LAC region. By itself, the country accounts for one third of the total population of LAC, a region with more than 40 countries. Therefore, all measures aimed at reducing poverty, inequality, and improving the democratic fabric of the society, will have a huge impact on the whole LAC population, for the number of people they are able to reach. Moreover, Brazil is also a very strong, resilient country which can be the engine for the LAC region to restart its path to growth and to a more just society.

### 3.3 Monetary and Multidimensional Poverty

In terms of fulfilling part of goal number 1, halving the number of people living in extreme poverty, already by 2009, Brazil had managed to reach the goal of reducing the proportion of people living under 1.25 dollars a day (Kas, 2012). Already by 2009, as a matter of fact, the number of people living under \$1.25 a day, had decreased from 17.2% in 1990 to 6.1% in 2009. Yet, not all challenges had been tackled: Kas (2012) reports that still in 2009, there were 11.68 million people living in extreme poverty, and poverty rates were higher in the Northern part of the country. Yet, in 2014, things were progressing at a steady speed: as announced by Dilma Roussef (Voltaire Network, 2014) during her 2014 speech in front of the United Nations, 36 million Brazilians had been lifted out of poverty since 2003, and 22 million people during Dilma Roussefs's administration alone (2011-2016). The main actions that managed to take people out of poverty were social policies and the *Brazil Without Extreme Poverty Plan (Brasil sem miseria)*. As a matter of fact, as reported by Paes-Sousa and Vaitsman (2014), social protection plans in Brazil were extremely successful in reducing poverty and inequality. The social protection programs targeted in particular children, adolescents, pregnant and breast-feeding women. Among the social protection programs that were most successful, as cited in Rousseff's (2014) speech in front of the United Nations, *Brazil Without Extreme Poverty* was launched in 2011, with the aim of eradicating extreme poverty by 2014. The Brazil Without Extreme Poverty was destined to complete the already existing and strong measures of social protection that existed in Brazil, such as the well-known *Bolsa Familia* (launched by ex President Lula in 2003, as a continuation of the previous program *Bolsa Escola*), which by the end of the President Lula's mandate, covered 12.8 million families, more than 51 million people. Some

differences exist: while *Bolsa Familia*, which is still on-going and part of the *Zero Hunger (Fome Zero) Network*, is the largest cash conditional transfer program, offering financial aid and aiming to tackle both short term poverty, by offering financial aid in forms of cash transfer, and long term poverty, by increasing human capital (the conditions for receiving financial aid are school attendance for children and immunization), *Brazil Without Extreme Poverty* goes to complement the previous and still standing social protection programs, with a multidimensional approach (Paes-Sousa and Vaitsman, 2014), which comprises 120 public actions to target 16.3 million extremely poor Brazilians, and makes the promotion of rights the core of its agenda. Paes-Sousa and Vaitsman (2014) argue that while the *Zero Hunger* conception is unidimensional, some multidimensionality was already inserted in the *Bolsa Familia Program*, which aimed at defeating poverty in the long run through building human capital (by requiring children's school attendance) and improving children's health (by inserting immunization as one of its conditions to receive financial aid). *Brazil Without Extreme Poverty* represent according to Paes-Sousa and Vaitsman (2014) an incremental with respect to the previous programmes, with a multidimensional focus on social rights and new policy tools. This latter programme considers the multidimensionality of poverty in its political, social and employment aspects. Therefore, the *Brazil Without Extreme Poverty Plan* aims at promoting social development, by trying to integrate the excluded population into the country's economic and social dynamics; promoting equity, by promoting policies that reduce the existing gap faced by blacks, indigenous and traditional populations; generating opportunities, without discrimination of gender, place of residence, life cycle; facilitating access to high quality public services, which the most disadvantageous are often facing; and developing a sustainable plan (Paes-Sousa and Vaitsman,

2014). The *Brazil Without Extreme Poverty's* agenda is detailed in the following graph:

Graph 41: Brazil's Without Extreme Poverty

<b>Guaranteed Income</b>
- Improvements on Family Allowance Programme (Bolsa Familia): extra benefits for covering extreme poverty gap to all beneficiaries, and 10% of increasing of the poverty threshold.
<b>Productive Inclusion</b>
• <b>Rural</b>
◦ Food Procurement Programme (PAA)
◦ Technical assistance and Productive Asset Oriented Cash Transfer
◦ Rural Micro Financing Programme
◦ Domestic cisterns
◦ Water for production
◦ Forest conservation subsidy (Green Grant)
◦ Light for All Programme - providing energy for all households
• <b>Urban</b>
◦ Free professional qualification courses
◦ Individual micro entrepreneur
◦ Oriented productive microcredit
<b>Access to Services</b>
- <b>Protection for children and adolescents up to 15 years old</b>
◦ Nurseries
◦ Fulltime time education
◦ Expansion of the Health in School Program
◦ Provision of supplements for children
- Ferrous sulphate
- Vitamin A
- Micronutrients
◦ Free provision of asthma drugs
• <b>Expansion of the basic health care for low-income population</b>
• <b>Strengthening the social assistance network</b>
◦ Social Assistance Reference Centres (CRAS)
◦ Specialized Social Assistance Reference Centres (CREAS)
◦ Street Population Reference Centres
◦ Hosting facilities for street population

(Source: Brazil's Ministry for Development, 2014)

As can be seen from the agenda of the Plan, a more multidimensional approach to poverty is being proposed in Brazil, an approach that considers income, social inclusion both in rural and urban areas (often, the poorest segments of the population are concentrated in rural areas, with less services and more difficult to reach), access to services for the most vulnerable sections of the society,

strengthening of health care for the poorest segments, and supporting of existing protection networks.

In terms of multidimensional poverty, however, the *Brazil Without Extreme Poverty* goes in the right direction, as it does depart from a multidimensional idea of poverty. However, the country still needs to completely move and embrace a multidimensional approach to poverty. Yet, some progress is already visible. While Brazil has still not adopted the multidimensional poverty index as a way of measuring its poverty, OPHI (2017b) reports that already in 2012, the Government State of Minas Gerais, one of Brazil’s states, together with the *Joao Pinhero Foundation*, which provides technical assistance to the state, has implemented the Alkire-Foster Multidimensional Poverty Index, and used the MPI to evaluate public policies and interventions.

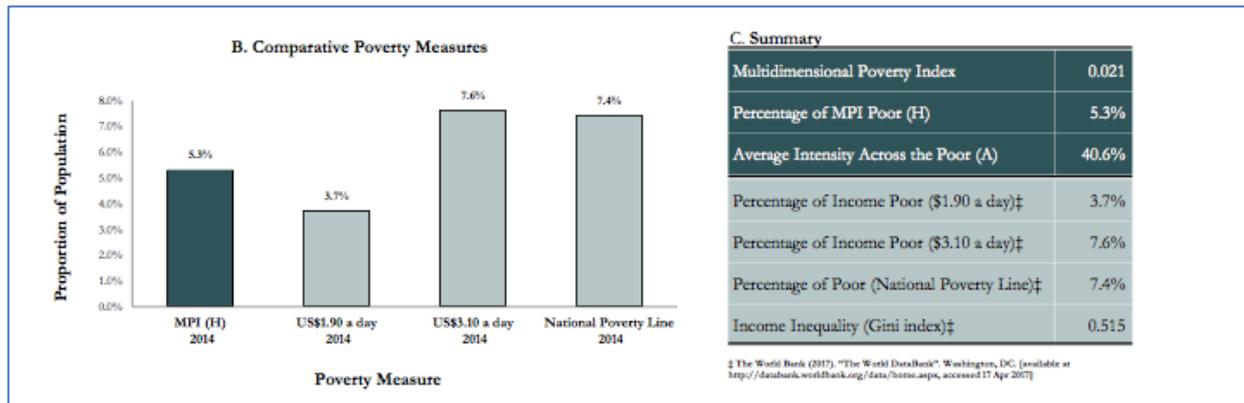
In a country brief for 2017 (OPHI, 2017b) based on data from 2014 household survey, OPHI identified the MPI for the country at 0.021, as shown in the graphs below:

Graph 42:MPI for Brazil

A. MPI Results at the National Level								
Survey	Year	Multidimensional Poverty Index (MPI = HxA)	Percentage of Poor People (H) (k = 33.3%)	Average Intensity Across the Poor (A)	Percentage of Population:			Inequality Among the MPI Poor
					Vulnerable to Poverty (20%-33.3%)	In Severe Poverty (k = 50%)	Destitute	
PNAD	2014	0.021	5.3%	40.6%	6.3%	0.7%	1.3%	0.068

(Source: OPHI, 2017b)

Graph 43:Poverty Measures Brazil



(Source: OPHI, 2017b)

As we can see from the above graphs, the incidence of Poverty is 5.3% of the population, which is deprived in 40.6 % of all the indicators taken into account, and the total MPI is 0.021, which shows the total deprivation of the poor people out of all the indicators in which they could be deprived. This MPI for Brazil is actually quite good, as the index goes from 0 to 1, and in this respect is quite low. If we compare this index with other poverty measures, such as the poverty line, and other way of measuring poverty, it shows different levels of poverty, which proves how the way we choose to measure poverty can affect measurement and consequently poverty interventions.

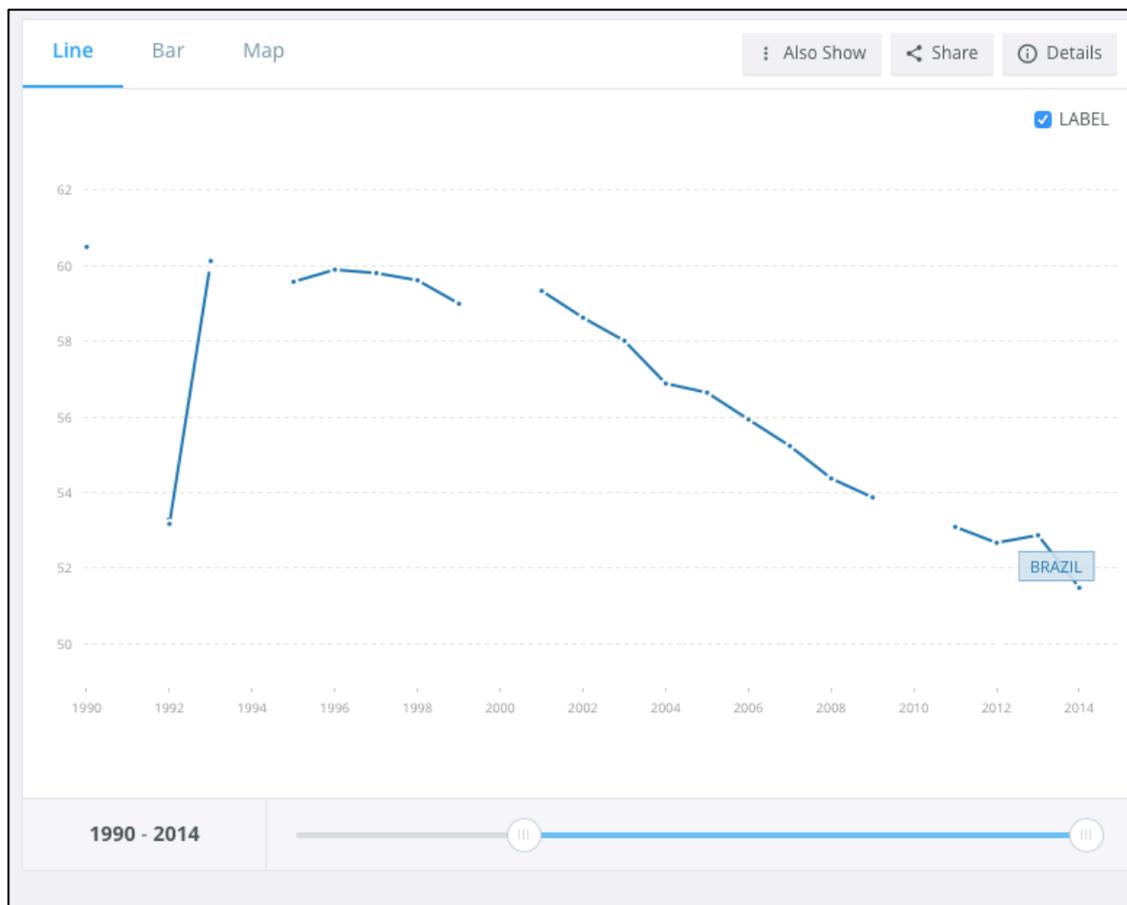
To conclude we can argue that Brazil has been incredibly successful in reducing its poverty incidence, through social programs aimed at reducing both poverty and inequality. How this has matched the democratic fabric of the society, will be examined during the second part of the chapter, concerning data analysis.

### **3.4 Inequality**

Talking about inequality in Brazil is definitely not an easy task. As it is widespread knowledge, Brazil is one of the most unequal countries, possibly the most unequal country along with South Africa. As previously mentioned in the second chapter and in this chapter as well, the country's situation was so difficult in the 1970s that economists used to refer to it by the term Belindia. Nowadays, things have improved, and reports suggest that the country's situation is more like a mixture of Italian wealth amidst Jordan poverty (hence the term Italordan created by The Economist, 2014).

While the situation is still very difficult in Brazil, with a resurgence of deep inequality and poverty after 2015, it is no doubt that much has been attempted and has also been achieved in terms of battling the growing inequality in Brazil. As a matter of fact, if we look at the Gini Index for Brazil for the time span 1990-2014, we can see that, according to World Bank data (World Bank, 2017d), the Gini of the country has been decreasing, although not always in a steady way. The graph below highlights trends for Gini Index for the time span 1990-2014:

Graph 44: Brazil's Gini Index



(Source: World Bank, 2017d)

As can be seen from the above graph, over the course of the time span 1990-2014, the Gini index for Brazil has been significantly decreasing. Before looking into the index in details over the course of the years, it is important to mention that the Gini index goes from 0 to 1, or 0 to 100, where zero represents perfect equality, while 100 represents total inequality of income. A Gini of 40 is already very high, and just to offer a way of comparison, Denmark, one of the countries of Northern Europe, which are usually known for being more just and equal, in 2012 (last year for which data are available) recorded a Gini of 29.08, while South Africa, possibly the most

unequal country in the world, in 2011 (last year for which World Bank data is available) recorded a Gini of 63.38.

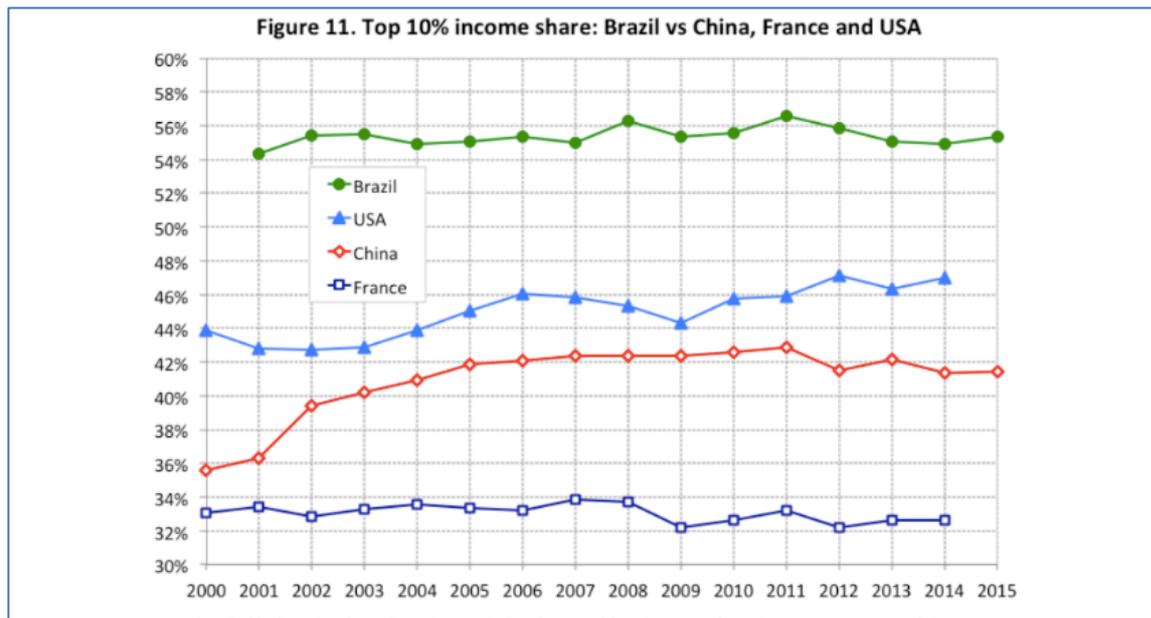
If we look at the graph for the Gini index for Brazil, we see that significant progress has been made in terms of reducing the Gini index. In terms of the evolution over the years, we see a very high Gini index for the year 1992 of 53.17, with a steep increase to 60.12 in 1993. After this year, the Gini index starts to go down. In 1995, the Gini is at 59.57, while six years later, in 2001, the Gini is at 59.33. In 2005, the Gini goes down to 56.64, while in 2011 there is a significant progress in terms of Gini, with a Gini of 53.9, which continues up to 2014, the last year for which data from the World Bank are available, year in which the Gini index is at 51.48. There is a constant reduction of the Gini, although it might seem modest, this is a very significant sign in a country which is renowned for its levels of inequality. Such a significant reduction is possibly and most likely due to the combination of several factors, such as the strong economic growth for the country, with some of the economic gains cascading onto the most vulnerable of the society, the fact that millions of people were taken out of poverty, as explained in the previous section, and also due to the social protection programs examined in the previous section as well, such as *Bolsa Familia* and *Brasil sem miseria*. As it is well known, these social protection programs aimed at improving the condition of people, by taking them out of extreme poverty and poverty, improving food security, while at the same time building on human capital, by promoting school attendance and immunization for children. Such conditionality of CCT programs, has potential for reducing inequality as well as taking people out of poverty and results could be start showing, over the course of a 25-year time span.

However, despite the significant progress that has been much cited over the last decades, not everyone agrees. A recent report by Oxfam international (2017) highlights that inequality is still a scourge for Brazil. The report looks beyond income inequality, and also focuses on the availability of opportunities, gender and race equality. The report highlights that it would take the average Brazilian worker earning the minimum wage about 19 years to earn what the top 0.1 earns in just one month. Just six people in Brazil own as much as the poorest half of the country. Moreover, according to Oxfam International (2017c), if things are left unchanged, it will take Brazil about 75 years to reach the current level of inequality of the United Kingdom, and 30 for that of Argentina. At the current rate, the report remarks that the gap between men and women earnings will be evened only in 2047, and it will take until 2089 for black Brazilians to be paid as white Brazilians. The Oxfam report concludes by insisting that the current level of inequality in Brazil can only be reduced through a better system of taxation, which is currently borne especially by the poorest and by the middle class, with heavy taxation, while the super rich get tax breaks that amount to US \$ 19.1 billion a year (which the report highlights is twice as much as it is spent on *Bolsa Familia*, and almost three times the educational budget).

Another voice out of the choir of appraisal for reducing inequality in Brazil is provided by Thomas Piketty's World Health and Income Database, with a paper by Morgan (2017) which revises estimates for inequality trends in Brazil for the period 2001-2015, and argues that the concentration of income at the top reached 28% over the period from an initial 25%, while the poorest segment went from 11 to 12%, showing that the top income segment was able to catch 61% of total growth, while the bottom 50% was able to capture only 18% of the total growth, while the middle 40% saw its share decrease from 34 to 32%. The paper (Morgan, 2017) reports that

inequality in the 90% increased at the expense of concentration of wealth in the top 10%, as shown in the graph below:

Graph 45: Income share of the Top 10% in Brazil, China, France and USA



(Source: Morgan, 2017)

To end this brief and complex section on income inequality in Brazil, it is possible to say that the issue on whether Brazil has been successful is very difficult and still requires much effort both from National and International bodies, as well as the reformation of the fiscal system in the country. During the second part of the chapter, the issue of inequality will be examined in relation to democracy, to establish patterns and analyse results.

### 3.5 Food Security and Hunger

In terms of food security and hunger, the country reports impressive progress over the time span taken into account. As part of Goal number 1 of the MDG's was to halve, between 1990 and 2015, the proportion of people who suffer from hunger, we can look at how the country managed to respond to the challenge and tackle hunger. Already by 2011, well head of the target date of 2015, as reported by Kas (2012), Brazil had reached the goal of halving the proportion of people suffering from hunger: as a matter of fact, the proportion of people below the minimum level of dietary energy consumption fell from 14.9% in 1999 to 6.9% in 2011 (Kas, 2012). The effort to battle hanger saw the absolute commitment of the whole country, with many and different stakeholders involved in the task. Brazil's commitment to battle hunger and improve food security has been so profound that in 2010, the country even inserted the right to food among its social rights recognized by the Constitution, which means that it is the duty of the State to respect, protect, promote, and secure its citizens with the right amount and quality of food to be enjoyed by all Brazilians, without any discrimination of race, gender, social class or other factors. By 2015, the country had been so successful as to manage to disappear from the United Nations Hunger Map (FAO, 2015).

Without any doubt, these favourable results, along with a more articulate plan for guaranteeing food security, reflect the commitment by Brazil to tackle the issue, also as food security is such an important element in the equation towards a more just society, with less poverty and less inequality. The country experienced great improvement during the governments of President Lula, who launched the Hunger Zero project on January 2003, to tackle the most evident representation of the poverty problem in Brazil. Social protection programs such as the cited *Bolsa*

*Familia*, or *Brasil sem miseria* are also to be cited as responsible for the great improvement that the country experienced in terms of food security. *The Zero Hunger Programme*, as reported by FAO in 2003, recognized that food security was mainly due to problems of low income, and determined that an extra income was to be provided in order to guaranteeing food security and battling hunger. Moreover, the programme also aimed at increasing human capital both for adults, with training and new skills acquisition, and for children, through school enrolment and immunization.

While the number of undernourished has always been a source of debate, and was never officially known, in 2003 FAO calculated that in the period 1998-2000, some 16.7 million Brazilians, which accounted for about 10% of the population, were chronically undernourished. As part of the *Hunger Zero Programme*, Brazil implemented several successful programs, besides *Bolsa Familia*, which managed to improve food security. The successful tools included *School Meals Program*, which reached some 47 million children in 2009 (Rocha, 2013) and also supported family farming as part of the school meals had to be provided by family farmers, thus supporting local communities. Also, as part of the battle to improve food security, Brazil supported family agriculture, by providing agricultural credit, crop insurance, technical assistance, and almost 2 million family farms benefitted from it (*PRONAF Programme*) and also by supporting family farming by directly purchasing crop and milk (*PAA Program*), benefitting 162,300 farmers in 2011 (Rocha, 2013).

Brazil's commitment in terms of battling hunger and improving food security has been so profound, that it did not stop after reaching Goal number 1 of the MDG's well head of time. During the 43<sup>th</sup> Committee on Food Security, Brazil, among other countries, also presented solutions on how to avoid food loss and food waste,

access markets, protecting livelihoods while promoting food security for both urban and rural consumers (CFS, 2017). Moreover, the Brazilian government has been investing resources to create new policies and tools to reduce the distance between food production and food consumption, which is believed to be the main culprit in food security problems. In this sense, as remarked by Rocha in 2013, the *PPAs* (Food Acquisition Programs) and the *School Meal Plans* are aimed at helping both the food insecure and the local farmers. Through the *PPAs*, the Government directly purchases products from farmers for stock up and distribution to the social vulnerable, while the National School Meal Program secures at least one nutritious meal per day to children, while at the same time maintaining school enrolment, which is such a key factor for building human capital. At the same time, as at least 30% of the meal is provided by family farming by law, local communities are aided, and a healthier more sound nutrition is provided to children (CSF, 2017).

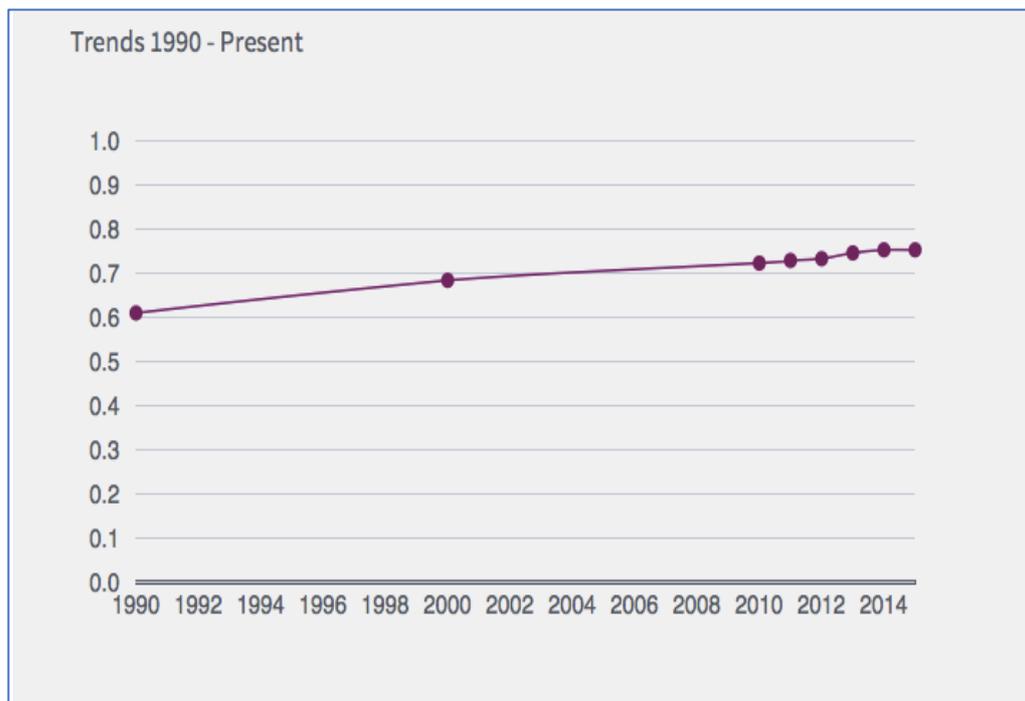
As can be seen from the short description on how Brazil managed to halve its percentage of food insecure people in the time period 1990-2015, the country has inverted significant resources to battle hunger and improve food security, and it has reached impressive results. Yet, many challenges are still to be faced, as still there is a part of the population that is food insecure, and there are vulnerable segments of the population that could fall back into poverty, which would eventually bring back a resurgence in food insecurity and hunger. In the second part of the chapter, I will analyze the relationship between food security and democracy.

### **3.6 Human Development**

In terms of human development, the country has achieved significant progress in all the components of the HDI (life expectancy, education and GNI), since 1990, but many challenges are still present. As it was explained during the second chapter, in the time span 1990-2015, Brazil made significant progress, with its Human Development index going from 0.611 in 1990 to 0.754 in 2015. Such a high level of human development puts Brazil among the countries with a high level of human development. Moreover, the latest figures for 2015, confirm that Brazil is ranking 79<sup>th</sup> out of 188 countries, a rank which Brazil shares with Grenada. This figure is very impressive if one thinks that it is the country with the largest population in the LAC region, and has historically been a country marked by severe inequality and a history of colonization, slavery and dictatorship.

The trends for the HDI in Brazil over the years 1990-2015 are reported in the graph below, and show a steady increase, with a standstill since 2013, due to the global economic challenges and the global slowdown following the Great Recession of 2007-2008:

Graph 46: HDI in Brazil 1990-2015



(Source: UNDP, 2017b)

By looking at the graph, we see an increase in human development from 1990 to 2015 of 23.4 %.

If one looks closer at the changes in each of the components of the HDI, it is possible to see that during the time span taken into account, life expectancy increase by 9.4 years, mean years of schooling increased by 4.0 and expected years of schooling increased by 3.0 years, while Brazil's GNI per capita increased by 31.6% between 1990 and 2015.

The following two graphs highlight the changes in the Human Development components over the time span taken into account:

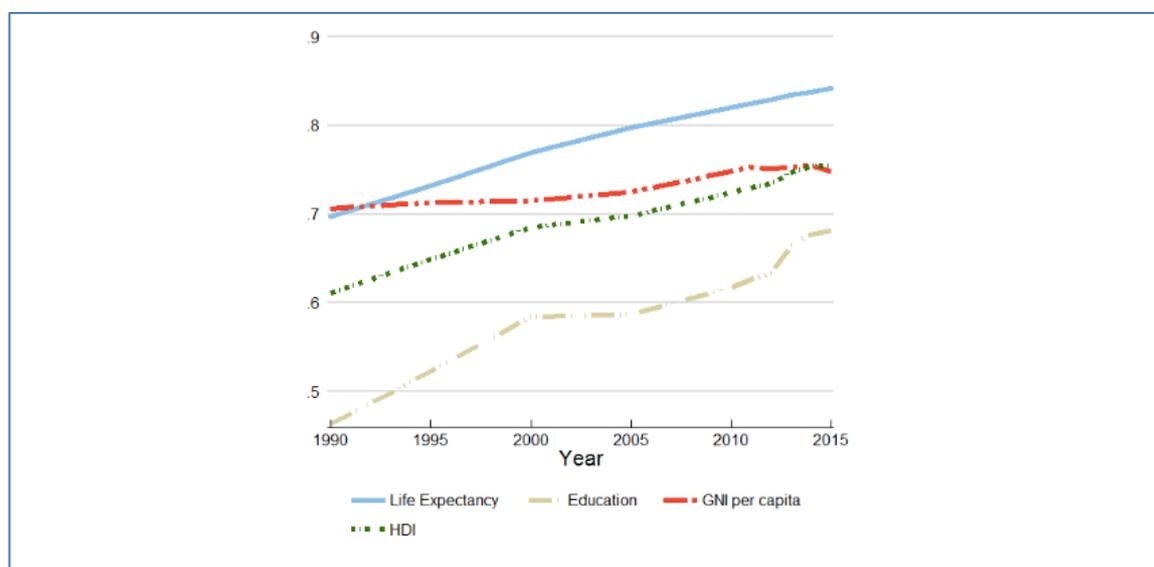
Graph 47: Brazil's HDI trends

**Table A: Brazil's HDI trends based on consistent time series data**

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	65.3	12.2	3.8	10,746	0.611
1995	67.6	13.3	4.6	11,238	0.649
2000	70.1	14.3	5.6	11,339	0.685
2005	71.9	13.8	6.1	12,117	0.698
2010	73.3	14.0	6.9	14,173	0.724
2011	73.6	14.2	7.0	14,580	0.730
2012	73.9	14.2	7.2	14,472	0.734
2013	74.2	15.2	7.3	14,582	0.747
2014	74.5	15.2	7.7	14,858	0.754
2015	74.7	15.2	7.8	14,145	0.754

(Source: UNDP, 2017b)

Graph 48: Brazil's HDI components 1990-2015



(Source: UNDP, 2017b)

As we can see from the graphs below, the country experienced significant increase in the Human Development Index over the time span taken into account, coinciding with the time span of the Millennium Development Agenda. As it has already been explained over the previous chapter and this chapter as well, the efforts made by both the national government and the international development community, investing in human capital, family farming, women's empowerment and children well-being, together with the positive economic conjuncture, were particularly successful in increasing the Human Development Index of Brazil and taking Brazil into the countries with high human development.

However, not all challenges have been met, and inequality, Brazil's historical scourge (due, as seen to many complex and interconnecting factors, such as the colonial past of the country, different rates of urbanization, drugs and crime just to name a few) takes a high toll on the country's HDI. As we have seen over the previous chapter, the Inequality adjusted HDI takes into account inequality across all dimensions in the country, inequality of both outcomes and opportunities, as per the definition given of inequality in the first chapter. If inequality is taken into account, which is basically the result of the HDI discounted for inequality, the Human Development Index for Brazil falls from 0.754 to 0.561, a loss by 25.6%, which basically takes the country back to levels of human development lower than the ones recorded in 1990. Moreover, the average loss of human development due to inequality for the countries is 20.0 and 23.4 for countries in the LAC region, which means that in this respect Brazil is, not surprisingly being still one of the most unequal countries in the world, well above the average for the countries and also the average for countries in the LAC region (UNDP, 2016b).

To conclude this brief part on Human Development, we can argue that the country has made impressive progress over the last 25 years, being able to exploit all the positive advantages of the time frame, the international development aid, and a National government which during the first decade of the 21<sup>st</sup> century, put enormous effort into development aid both in the short term (by providing financial aid to improve food security) and by building human capital (with education and immunization being key conditions to receive financial aid). Yet, many challenges will have to be tackled in order to keep Brazil still among the countries with high human development. In particular issues such as inequality, the high incidence of violence and crime, and gender discrimination are among the current threats that the country is called to answer. During the second part of the chapter, analysis will be conducted to show how democratic procedures have been faring with respect to the HDI increasing in Brazil.

### 3.7 Education

As Goal Number 2 of the Millennium Development Agenda aimed at achieving universal primary education, Brazil had already achieved such goal in 2005, when the enrolment rate was at 95.6% (Kas, 2012). However, several problems still exist for the education sector in Brazil, especially due to the large differences among states within Brazil. An evaluation paper commissioned for the World Education Forum of 2015 in Korea (EFA, 2014), aimed at tracking progress from 2000 to 2015. As the study reports, the first commitment to achieve education for all, was undertaken in 1990 with the *Conference on Education for All* in Thailand, and later on, in 2000, the commitment was reiterated with the *World Education Forum* in Dakar. With the Dakar Forum, new goals were established such as expanding and improving comprehensive child care and education, especially for the most vulnerable sectors, ensure that by 2013 all children, and in particular the most vulnerable ones, had access to primary education of good quality, ensuring that young people and adults needs are met as well, and achieve an improvement in adult literacy by 50% by 2015, eliminating gender inequality and achieve gender parity in education by 2015, and improving all aspects of a quality education (EFA, 2014). Such ambitious goals, set in the 2000 conference, went to complement the MDG Number 2 of achieving universal primary education. Brazil committed to such ambitious task, and the report shows how Brazil has fared in this respect.

In order to understand the achievements recorded by Brazil, it is useful to remember that the post-dictatorship years saw significant progress, which included the approval of a new Constitution which defined education as a social right (just as in the recent past, food security was enlisted as a social right) and established innovative provisions (EFA, 2014). At the time, school attendance for the mandatory

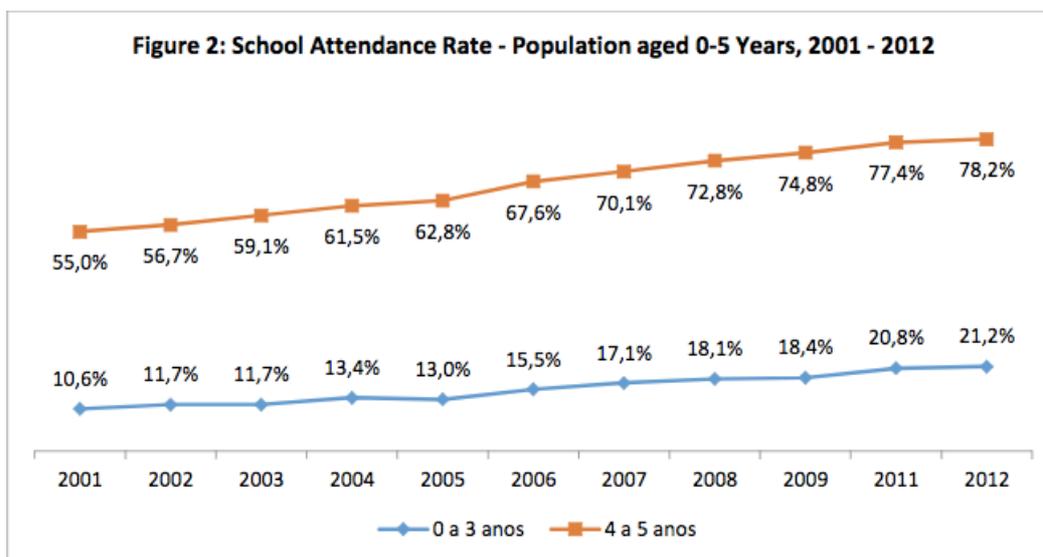
age (7-14 years) was recorded at 82.2% and the illiteracy rate of the population aged 15 or more was 18.8% in 1989 (EFA, 2014). After the 1990 Conference Brazil made tremendous effort to tackle the issue, and created *A National Committee for Education for All* (in 1993) and a *National Education for All Plan* (1993). Other important legislative changes were made in the following years, and by the year 2000, in preparation for the Dakar Forum, two papers were prepared to record the progress made: the school attendance for the age 7-14 had reached 98.8%, and in the age span 15 and more, the illiteracy rate was down to 14.7% in 1996 (EFA, 2014).

Since 2003, when Brazil entered the Zero Hunger Programme, changes became even more evident, with the conditionality of several of its plans being school enrolment for children, especially children from the most vulnerable sectors, such as the poorest segments, children from African Descendants and children of indigenous groups.

School attendance grew in all sectors, both as a result of the positive interventions implemented by the government and all the actions taken since the Thailand Conference in 1990. At the same time, the changing shape of the pyramid, with lower fertility which became more and more profound over the 25 years taken into account, made the task of improving both access and quality of education easier (EFA, 2014).

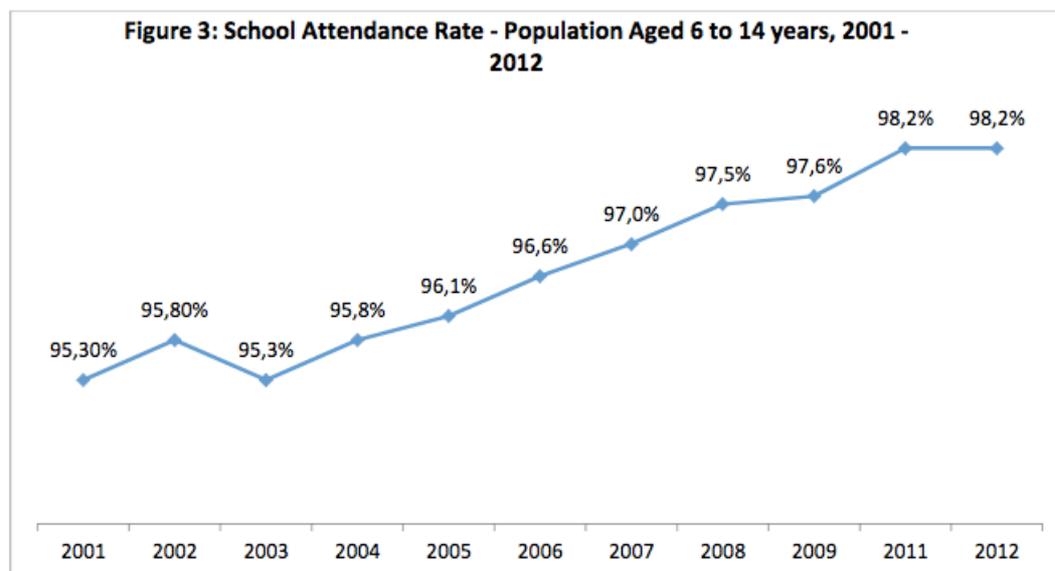
The three graphs below detail the growth in education for early child care, primary and secondary education over the time span 2001-2012:

Graph 49: School attendance rate in Brazil age 0-5



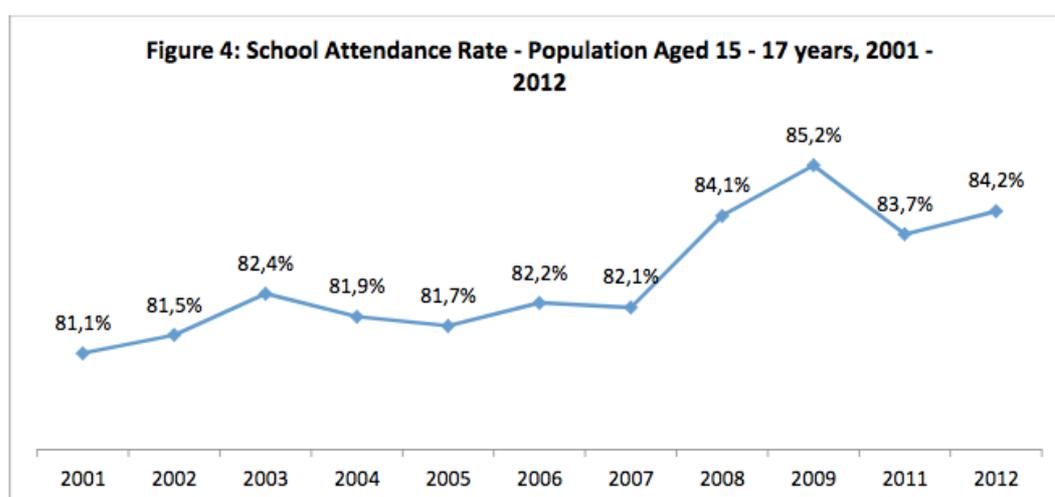
(Source: EFA, 2014)

Graph 50: School attendance rate in Brazil age 6-14



(Source: EFA, 2014)

Graph 51: :School attendance rate in Brazil age 15-17



(Source: EFA, 2014)

As can be seen, Brazil recorded significant progress over the time span taken into account. The country was able not only to reach the MDG Number 2 well ahead of time, as it did for many other MDG's, but it was also able to combine successful measures for providing financial aid, improve food security and at the same time, building human capital. The change of the Constitution was a very important signal of the importance that the country gave to the challenge.

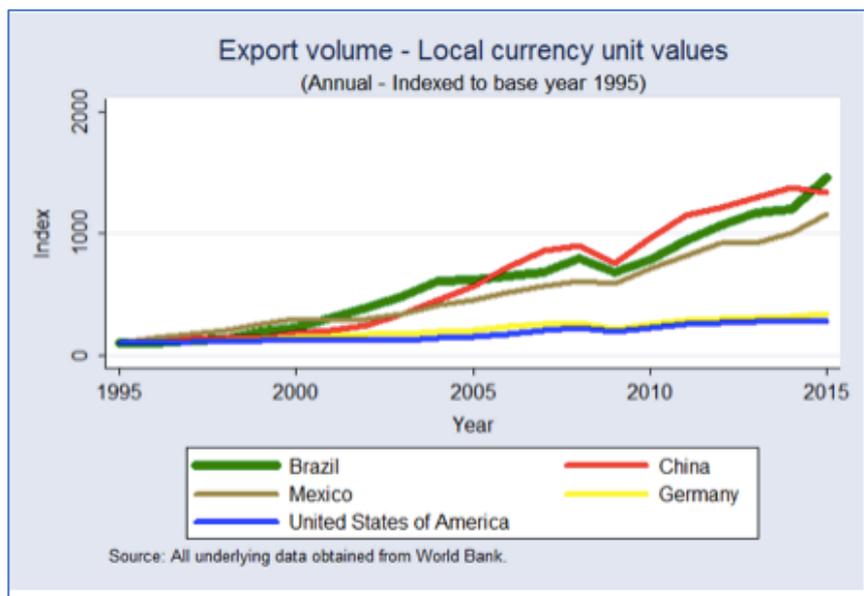
However, now that the MDG Agenda is over, and we are moving towards the Agenda of the Sustainable Development Goals, new important challenges will have to be tackled as well, especially in a context of growing economic uncertainty. As the World Economic Forum (2017) reports, technology is still one of the main issues to be tackled to improve the quality of education in Brazil (as provided by the 1988 Constitution): schools in urban areas have an average of 19 computers which are used by about 650 students; internet is available at school, but its speed is still not as desired, and many teachers report having to use their own laptops to school (WE

Forum, 2017). Moreover, due to the resurgence of economic crisis in the country, much that has been achieved might be in danger, and needs to be supported by targeted, effective policies, to make sure that no one is left behind.

### 3.8 Employment and Economic Growth

In terms of employment, which is strongly interconnected with economic growth, it is possible to say that the country experienced the same level of success as in all other indicators, since the 1990s, with however, a significant slowdown since 2012. As McLelland (2017) argues, the country still has a distinction in internal and external economy, the first being more similar to what is usually defined as an autarky, while the second being characterized by free cross-border trade. While Brazil was basically a closed economy until 1985, the country is still adjusting to its integration into the global economy (McLelland, 2017), as shown by the below graph which shows how Brazil adjusted to its new condition of global player over time:

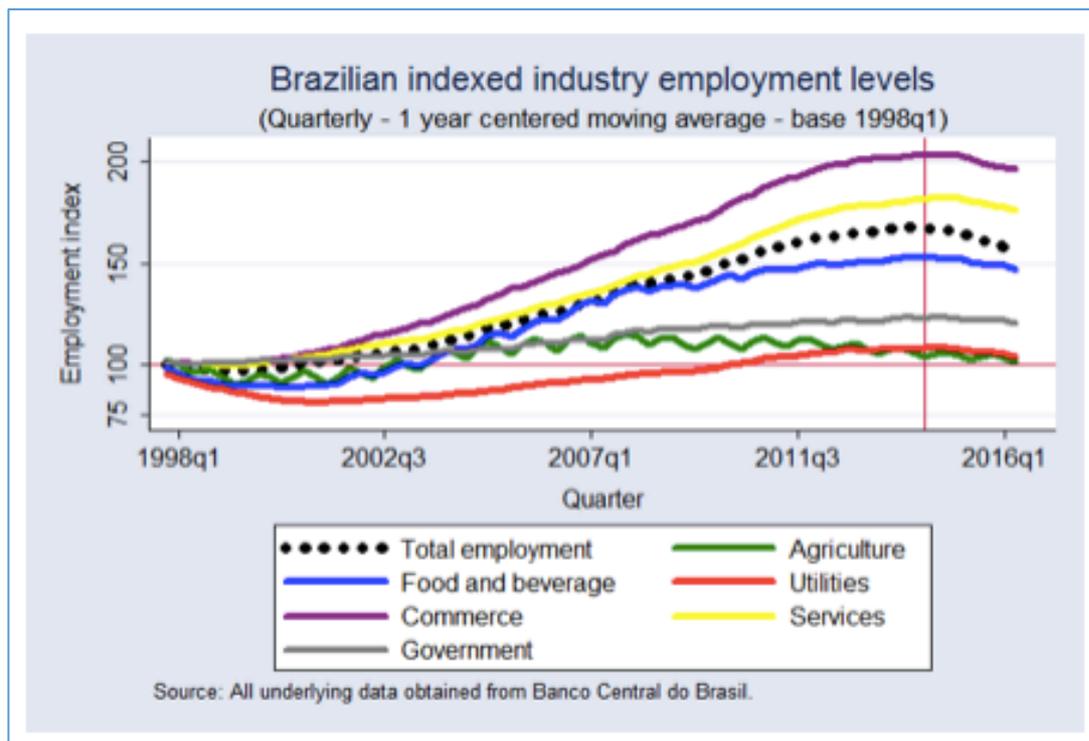
Graph 52: Export volume



(Source: McLelland, 2017)

As a result of the strong economic growth that interested the country, employment rose consequently, with a general slowdown since 2012. The graph below captures total employment, and employment divided into sectors:

Graph 53: Brazil's industry employment levels



(Source: McLelland, 2017)

As can be seen from the above graph, over the years Brazil experienced significant progress in employment, which was strictly linked to the sustained economic growth of the period, a growth in all sectors, up to the year 2012. Therefore, the resurgence of unemployment in Brazil is to be sought in the economic slow down that took place and will be discussed below. It is worth remembering, though, that much of the growth experienced in Brazil over the 25 years, was, as discussed in the previous

chapter, growth in both precarious sectors, like the tertiary, and informal jobs, which are the first ones on the line in time of economic contraction.

Several changes took place in Brazil throughout the 25 years. First of all, it is important to remember that the first years of the 1990s were the years of the post-dictatorship period in Brazil. The 1980s had been characterized by very high inflation rates, political and economic uncertainties, a fall in the marginal capital and investment, while the very high inflation rates of the 1980s were the explanation for a fall in growth in the 1980s (Cardoso and Teles, 2009). However, during the 1990s, the country which was by now well established on the democratic path, started to experience sound economic growth. By 2000, it had already become a strong economic player, and as Cardoso and Teles (2009) remark, between 2002 and 2008 the country benefitted by the strong economic growth, and the strong demand for commodities, in which Brazil had a remarked competitive advantage. Between 2002 and 2005 (Cardoso and Teles, 2009) the semi-manufactured exports rose by 43% and the price of its basic products increased by 59%. The benefits brought by the high demand in commodities in which Brazil was very endowed were evident, and were a very strong drive that pulled the economy throughout the first decade of the 2000s. Combined with sound economic and social policies aimed at reducing poverty and tackling food security for everyone, while at the same time ensuring human capital, this transformed Brazil in a global player, to which all countries looked at.

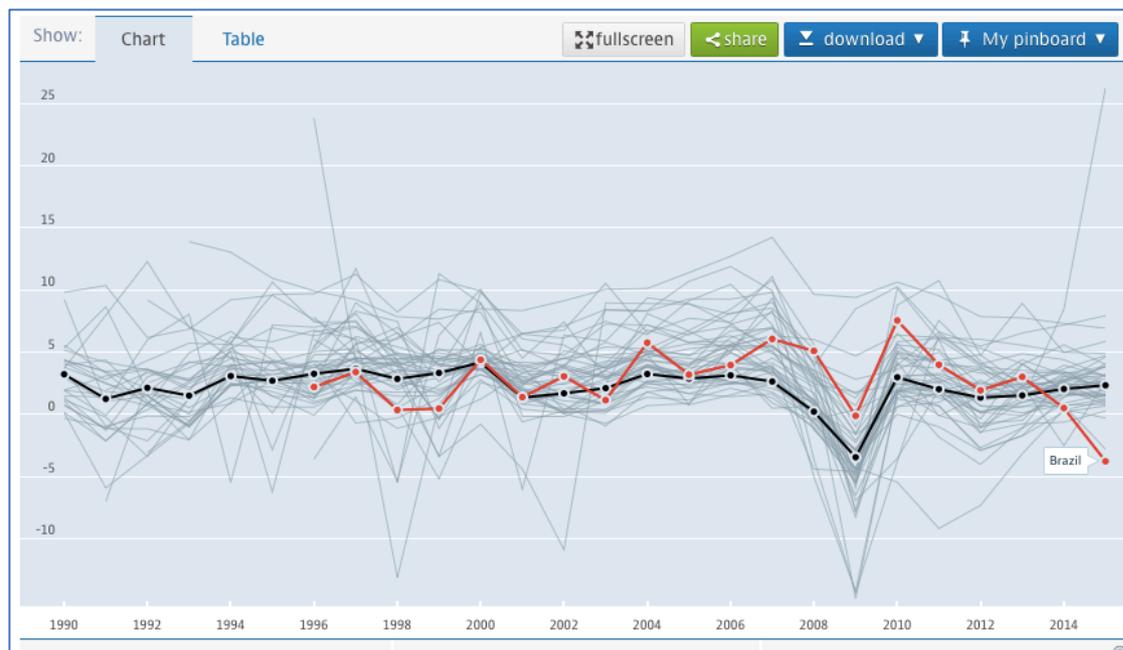
As it has already been discussed both in the second chapter of the previous section and in this chapter, the economic growth of Brazil had been so remarked and so fast, especially given its economic instabilities of the 1980s, that Brazil soon

became one of the BRICS and was forecasted to be the fifth strongest economy by 2050.

However, things changed profoundly due to the financial crisis of 2007-2008, and the aftermath is very different from what had been forecasted. Cardoso and Tales (2009) underline how Brazil responded to the financial crisis differently than in the past: as a matter of fact, in the past, exchange rate devaluation was common. This would cause at least two things: an increase in interest rate by the Central Bank, and as a result, a new rise in public debt, which would in turn force to government to increase the primary surplus, thus in the end aggravating the initial crisis. At the end of 2008, the government reacted differently than before: the devaluation of the national currency, the real, did not cause the same shocks than in the past, as there was a profit that created a margin for emergency financial aid actions (Cardoso and Tales, 2009), to absorb the shock and soften the part of the devaluation shock, and loss for companies. The Central Bank was also able to reduce interest rates.

Moreover, as it has been explained when looking at Brazil's achievement of part of goal number one, to halve extreme poverty by 2015, 36 million people had been lifted from poverty since 2003, and such an important achievement would not have been possible if not accompanied by a strong economic growth. The graph below outlines growth in GDP for the country, compared to the average growth of OECD countries:

Graph 54: GDP growth for Brazil vs OECD countries



(Source: OECD, 2017)

Yet, despite all the important progress that we have seen during the past 25 years, it is worth noting that since 2013, as shown in the above graph, there has been a still stand in economic growth, with poverty levels remaining constant, and a negative growth with respect to the OECD countries. McLelland (2017) argues that evidence suggests that economic downturn actually began in 2012 in the mining, minerals, manufacturing, and building material sectors, while the broader economic downturn became apparent in mid 2014.

Moreover, as it was already explained in the section concerning monetary and multidimensional poverty, while the mainstream literature argues that there has been a constant reduction in inequality, Piketty's research center (WID) argues, in 2017, that the strong growth of the time period 2001-2015, did not cascade onto the

middle class, but actually mainly benefitted the top 10%, which captured 61% of the total growth (Morgan, 2017). It seems that equality in growth is still the main problem of the country, especially in a time of general contraction in growth, such as the one we are experiencing.

To end this section, it is worth mentioning that a study commissioned by the Brazilian Ministry of Economy and carried out by the World Bank (2017), which was completed in November 2017 on public expenditure in Brazil, had a very negative overview of how Brazil is faring. The study evaluated public expenditure in Brazil against three criteria: its ratio with respect to the budget, its efficiency and its public justice. The conclusions of the study were very negative: according to the World Bank, the governments (at federal, state and town level) spend more than they can afford, and the expenditures are inefficient, as they are unable to fully fulfil their aims, and more than often, they favour the wealthiest against the poorest. Moreover, in the last two decades, Brazil's public expenditure increased consistently, endangering the sustainability of the country. The public debt went from 51,5% of the GDP in 2012 to 73% in 2017.

### 3.9 Women's Empowerment

In terms of women's empowerment, and in line with Goal Number 3 of the MDGs, to promote gender equality and empower women, we can now look at Brazil's achievement in this sense, in the time span 1990-2015. As Kas (2012) reports, already by 2012, Brazil had achieved Goal number 3: the ratio of girls to boys in primary education was 0.94 (almost absolute parity) already by 2005; the share of women in non-agricultural sectors went from 35.1% in 1999 to 41.6% in 2007, while the proportion of parliamentary seats held by women increased from 5.3% in 1990, to 8.6% in 2012. Moreover, in 2010, the election of the first female president ever, Dilma Rousseff, marked a significant progress for the country. In her electoral speech, Dilma Rousseff remarked a new era for women, in which "Yes, women can" (AddedValue, 2013).

Moreover, as it has appeared clearly from the evolution of the population pyramids, the significant drop in women's fertility rate to 1.8 in 2015, has allowed women to pursue different avenues, to pursue education and a career, and not to be home bound, raising children. Also in terms of business, women have been able to progress significantly, also by being able to take advantage of the new digital revolution: AddedValue (2013) reports that in the time span 2011-2014, of the companies created, 49% of new entrepreneurs were women, above the global average of 37%. However, the proportion of women in high power positions in companies is by contrast dramatically low: only 3.4% of CEO are women, and only 3.9% of board members are women (AddedValue, 2013).

To be noted, that from 2015, the Human Development report introduced the Gender Development Index, which is based on sex disaggregated data, a way of measure much called for, and reflects gender in equalities in achievement in the same three

dimensions of the HDI: health, education and availability of economic resources (which is measured by female and male estimated GNI per capita). The new GDI is calculated for 160 countries, and the HDI for Brazil is 0.754 for women and 0.751 for males, resulting in a GDI of 1.005, which places the country in Group 1, which a very positive score for the country.

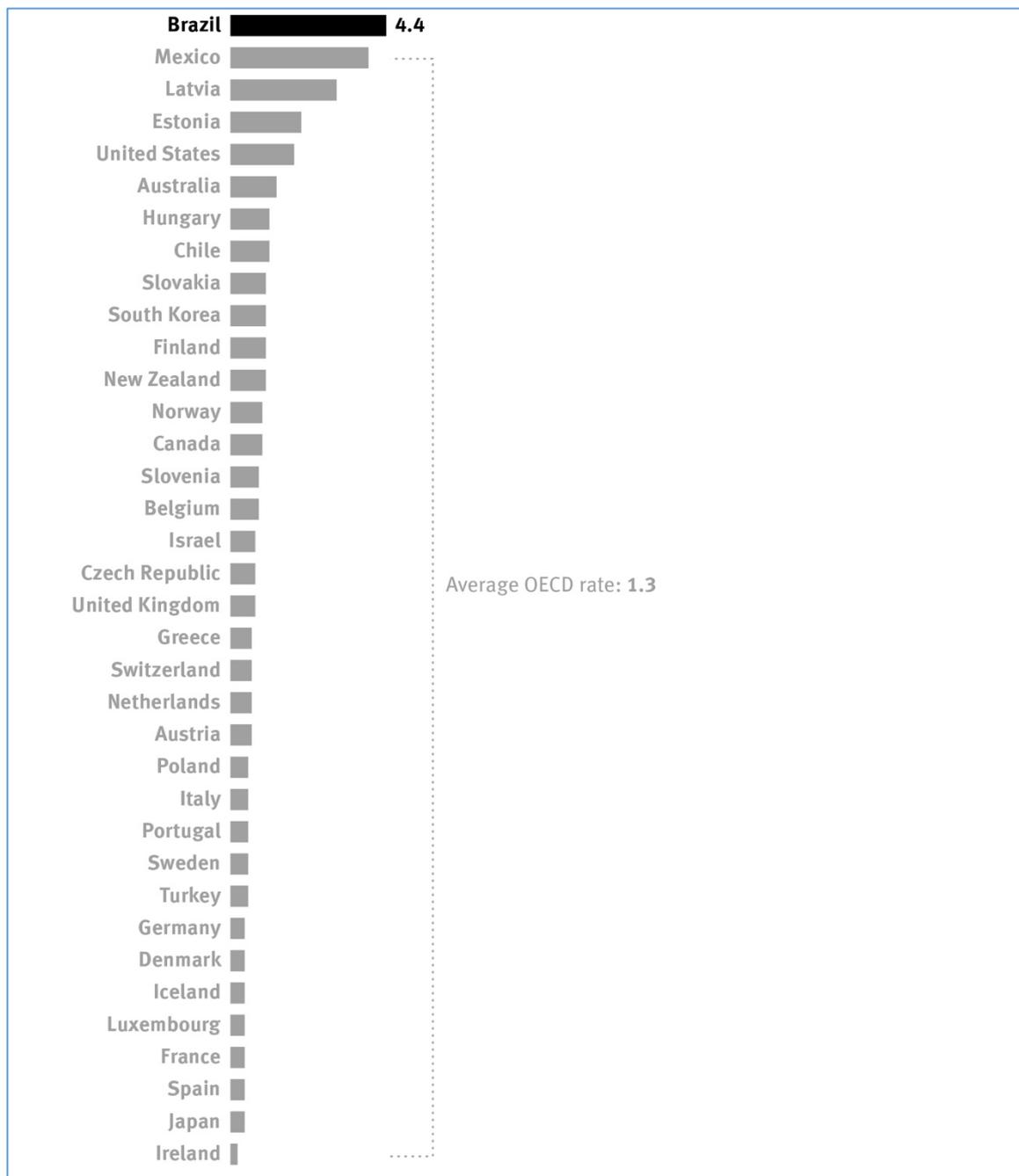
But if we look at another index from the Human Development Report of 2015, the Gender Inequality Index (GII), we can get more information about the situation in Brazil. The GII, introduced in 2010, measures gender-based inequalities in three dimensions: reproductive health, empowerment and economic activity. The GII is the loss in human development due to inequality between males and female achievements in the three dimensions measured by the GDI (HDR, 2015). Brazil's GII is 0.414, and the country ranks 92<sup>nd</sup> out of 159 countries. The HDR (2015) reports that in the country 10.8% of parliamentary seats are occupied by women, and 59.1% of women have reached at least a secondary level of education compared to 55.2% of males. Female participation in the labor market is 56.3% against 78.5% for men.

As we can see from this brief outline, progress for women in Brazil has been sustained over the course of the last 25 years (1990-2015): women's empowerment has been a very important part of Brazil's development path over the course of the time span taken into account. More and more women have assumed positions of power, fertility rate has hugely decreased, allowing women to study more and take different paths from motherhood, secondary education is higher for women than it is for men. Yet, some challenges still need to be tackled. As the World Bank (2013c) remarks, despite the many milestones the country has reached, still a lot remains to be done. Gender gaps in access to formal labor employment and market income still

exist; moreover, women's salary is 84% of men's, and among the people with 12 years of education or more, women earned 58% of men's salary (World Bank, 2013c). The difference in income reflects discriminatory practices and norms in Brazil, as remarked by the World Bank (2013c) and still much remains to be done in this respect.

Moreover, violence against women is still a very common issue, Human Rights Watch (2017a) reports. According to a recent report by Human Rights Watch (2017a) some regions of the country are presenting staggering figures, with a death rate of 11.4 homicides per 100,000 women, well above the national average of 4.4 homicides every 100,000 women. Brazil has the highest rate of women's homicide, higher than every OECD country, as for the latter, the average rate is 1.3 every 100,000 women, as pictured in the graph below:

Graph 55: Rate of homicides in Brazil vs OECD countries



(Source: HRW, 2017a)

As Human Rights Watch (2017a) reports, the country is failing to respond to domestic abuse and violence against women, and until perpetrators of violence against women are not punished, violence will be perpetrated. According to household surveys of February 2017, only a quarter of women who were victims of violence in Brazil reported it (HRW, 2017a). However, the country has a sound law, the *Maria Da Penha* law, passed in 2006, to prevent domestic violence (HWR, 2017a) but its failing to correctly implement it; the police are not rightly trained to tackle the issue, and to monitor that the provisions of the law are implemented. Until domestic violence is tackled, there will not be any real women's empowerment, or gender equality: the issue is a worldwide problem, but it seems especially prominent in Brazil, especially in the rural areas, where women are more at risk of becoming prey to domestic abuse and violence.

To end this section, it is worth noticing that a recent research carried out over a time period of two years in North-Eastern Brazil, carried out jointly by the University of Ceará and UN Women (2017) reports that domestic violence in North-Eastern Brazil is unfortunately more common when women have been witnessing abuse on their mothers as children: as a matter of fact, 4 out of every 10 women who grew up in an abusive environment become in their turn, victims of violence. Therefore, violence is passed generation through generation. The most violent cities are Salvador, Natal and Fortaleza. The study will soon expand to the rest of the country.

### **3.10 Child well-being**

In line with Goal Number 4 of the MDGs, to reduce child mortality by two thirds, Brazil had already achieved the goal by 2011. As reported by Kas (2012) the mortality rate in children under the age of five, measured as deaths of children per every 1000 live births, decreased from 58.0 in 1990 to 15.6 in 2011. Also related to child well-being, is Goal Number 5, to improve maternal health, by reducing maternal mortality by three quarters and provide universal reproductive health. This second goal was very challenging for Brazil, and the goal, as reported by Kas (2012) had not yet been achieved in 2010, a time when most goals had been achieved, due to the high mortality rate (from 120 in 1990 to 56 in 2010) and also due to the difficulty in gathering data, a difficulty that characterizes the whole area, and makes the task of researching in the area somewhat complicated. In 2015, the World Bank (2017c) estimated the maternal mortality rate for Brazil to be 44 deaths, with Brazil therefore not able to reach Goal Number 5. Moreover, it is also important to cite that abortion is still illegal in Brazil unless the pregnancy is the result of rape or compromises the health of the woman, which is not compatible with Brazil's obligation to human rights, as sustained by Human Rights Watch (2017a). The criminalization of abortion puts women's health at risk and diminishes their freedoms, but it also jeopardizes children's well-being, due to the risk incurred by illegal abortions for the woman's health.

As far as child well-being is concerned, the progress recorded by Brazil over the twenty-five years taken into account, is also very relevant and yields important data, as it coincides with the 25<sup>th</sup> anniversary of the Brazilian Statute on Children and Adolescents, which is the law that applies the Convention on the Rights of the Child, for which Brazil was one of the early signatories. Despite the important progress that

characterized the twenty-five-year-period, which marked the development of Brazil in line with OECD countries, Unicef reports that several challenges were left unchecked. For example, the rate of homicides of adolescents was incredibly high and the report predicted that if left unchecked, by 2019, 42,000 adolescents would be killed. This announcement strongly focused the attention on the topic and saw the commitment by the government to implement actions in order to reduce by 5% every year the number of adolescents' murder rate, while at the same time producing data that will allow to monitor the progress.

Moreover, some environmental emergencies threatened the ability of some of the states within Brazil to advocate and move forward in the fight for children's right. This is the case for the semi-arid region, which faced its fourth year of drought, and for the Amazon region, which also faced drought. Moreover, in December 2015, the country had to request international assistance to battle the increasing number of microcephaly among new-borns, in the Northeast part of the country, caused by the Zika virus, carried by the *Aedes Aegypti* mosquito. Unicef, along with the PanAmerican Health Organizations have developed a series of measures to tackle what has now become a new epidemic in the country. The Zika virus, which is widespread in the poorest regions of Brazil, due to unsound health and hygienic conditions, showed once more the problem of inequality in Brazil, as the poorest children are affected.

HIV/AIDS remains one of the challenges that the country is called to face: Brazil has the largest number of people living with HIV in Latin America, and also accounts for 40% of the new infections in the region. At global level, Brazil is one of the 15 countries which accounts for 75% of the number of people living with HIV (Avert, 2017). At the moment, the epidemic is classified as stable. In 2016, one year

after the time span taken into account, there were 830,000 people living with HIV, with a 2% increase compared to 640,000 people living with HIV in 2010. 14,000 people died from HIV related diseases in 2016. Such figure had actually been stable to 15,000 since 2010 (Avert, 2017), but showed an increase in 2010.

In particular, of the 830,000 people living with HIV in 2016, 37% of the people on retroviral treatment were children. According to UNAIDS (2017) in 2016, 11,000 children aged 0-14 were living with HIV, while there were 110,000 orphans aged 0-17 due to AIDS. HIV/AIDS is still a pandemic in the country, with yearly new infections that concern children aged 0-14 years. Some states of the country are more vulnerable than others, and special attention will be needed to tackle the issue.

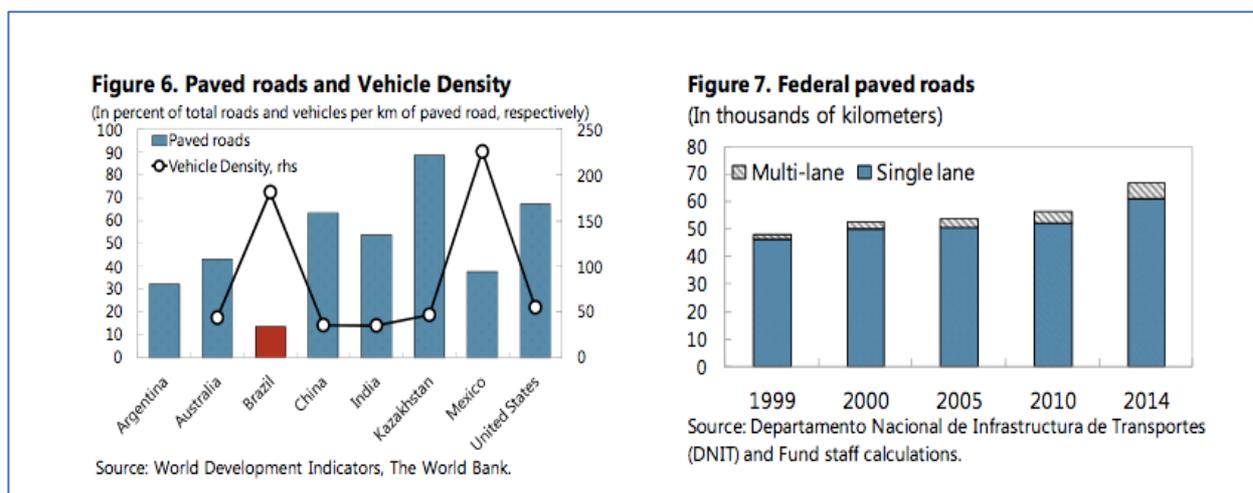
To conclude, while child well-being has been substantially improved over the course of the 25 years taken into account, some issues remain to be tackled, as they might interfere with children's well-being: climate change, the new microcephaly epidemic, HIV/AIDS are all challenges that have not been tackled yet. In this respect as well, inequality takes an important toll: as reported by Kas (2012), the mortality rate of children of poor families is twice as high as the mortality rate of rich families, and mortality rates are higher among children of afro-descendants and indigenous descents.

### **3.11 Infrastructure, development and social issues**

This next section will look at the main achievements and drawbacks in terms of infrastructure, development aid and social issues in Brazil, in the time period 1990-2015. For what concerns infrastructures, which are pivotal for the development of a country, Brazil faces several challenges. As reported by a paper published by IMF, authored by Garcia-Escribano, Goes and Karpowicz (2015), poor infrastructures in Brazil are identified as one of the bottlenecks that keeps the country from attaining its full potential. According to the authors (2015), there is a strong correlation between market segmentation and poor infrastructure, as they identify a strong correlation between slower domestic price convergence and longer commuting times. It is suggested that an improvement in railroads and roads could significantly bring down commuting times (Garcia-Escribano, Goes and Karpowicz 2015). In terms of infrastructures, Brazil ranked 120 out of 144 countries surveyed by the World Economic Forum in 2014 (Garcia-Escribano, Goes and Karpowicz, 2015), and Brazil fared extremely poor in terms of road and air transportation. The countries' rating worsened over the last five years, with Brazil having much worse infrastructure with respect to its competitors (Brazil's main competitors are the United States, Canada and India, and to a lesser degree Argentina, Australia, China, Kazakhstan, Mexico, Russia and South Africa). According to the IMF paper (Garcia-Escribano, Goes and Karpowicz, 2015), in sectors such as roads, ports, railroad and air transport infrastructure, Brazil fares worse than its competitors, while it does perform a little better than its competitors in terms of electricity and telecommunication, although in 2010, 46% of Brazilian firms reported that electricity was a major problem in their daily business activity (while the average in the LAC region was 38%) and 28% of firms felt constrained by transportation (against the

LAC average of 23%). Moreover, the authors (Garcia-Escribano, Goes and Karpowicz, 2015) report that roads are a big concern in Brazil, as only 15% of them are paved, and congestion is a very significant problem as well. The graph below highlights the state of affairs of road transportation in Brazil:

Graph 56: Paved Roads and Vehicle Density/Federal Paved Roads



(Source: Garcia-Escribano, Goes and Karpowicz, 2015)

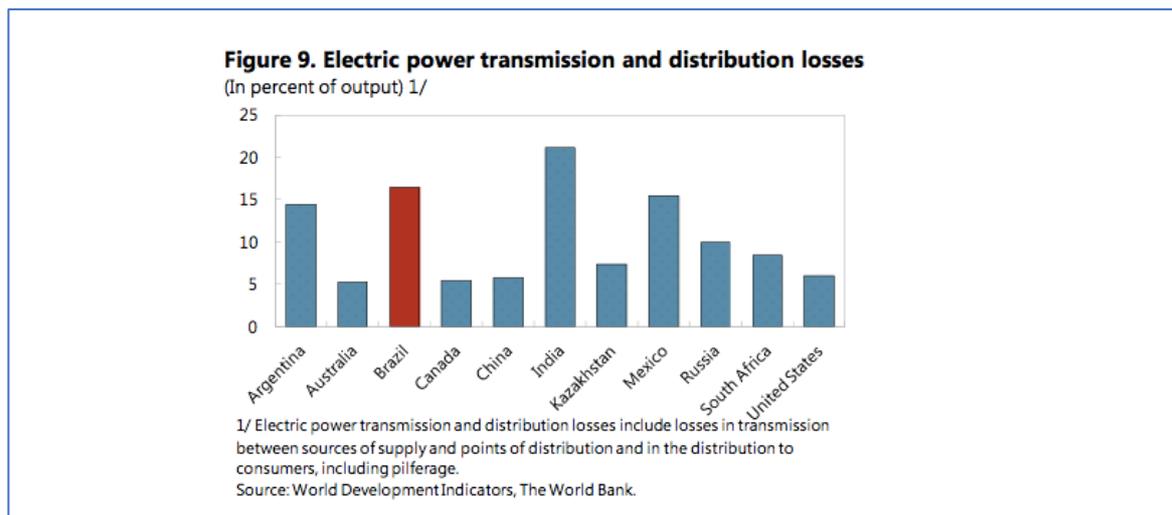
Moreover, Brazil appears to be in a much worse situation as most of its rivals use rail system to transport goods, while Brazil relies heavily on highways; the situation of ports and airports in Brazil is also of concern, as it has been affected by a prolonged period of low maintenance and low investments (Garcia-Escribano, Goes and Karpowicz, 2015).

In terms of energy coverage, the situation seems more favourable, with a very remarkable increase since 1990, and almost universal coverage. However, some problems do remain, mainly due to inadequate investments as well, with electricity

loss increasing significantly, and exceeding 15 percent of output, and the problems created by the recent draughts (Garcia-Escribano, Goes and Karpowicz, 2015).

The following graph shows the situation of energy output and losses for Brazil:

Graph 57: Electric Power transmission and distribution losses



(Source: Garcia-Escribano, Goes and Karpowicz, 2015)

According to the IMF (Garcia-Escribano, Goes and Karpowicz, 2015), it is possible to conclude that in examining the evidence, the country registers severe infrastructures inadequacies and needs to improve its infrastructures in terms of roads, railways, and energy in order to revert losses and become competitive again. Brazil may be losing out severely to its strongest competitors in terms of infrastructures, which in their turn, impact the economy and economic growth and end up impacting inequality as well, as inequality is a burden that impacts the poorest in the first place.

In terms of development aid, as we have already seen throughout this chapter, Brazil has been one of the most successful countries in the fight against poverty and hunger. We have briefly touched upon the *Hunger Zero Network*

*Programs* such as *Bolsa Familia* and *Brasil sem miseria*, and how successful these programs have been in fighting poverty and hunger. Yet, on a global context of economic contraction and growth challenge, new and important measures will have to be implemented. Brazil has also significantly emerged over the course of the last years, as a provider of development aid in the South-South Cooperation. According to OECD estimates (2017) Brazil's contribution to development aid amounted to USD 316 million in 2013 (the last year from which data were available), down from 411 in 2012. 66% of the 2013 amount, USD 208 million was channelled through multilateral organizations, while the latest OECD estimates for 2017 (OECD, 2017) calculate that USD 96 million were channelled through multilateral organizations. Brazil cooperation includes humanitarian assistance, scientific and technological cooperation, scholarships costs and refugee costs (OECD, 2017). Brazil is also partnering with several important international organizations such as FAO, WFP, ILO, UNESCO, UN agency against drugs and crime (OECD, 2017). In total, in 2015 Brazil development cooperation to international organizations went to the United Nations agency (57%) and to the Inter-American Development Bank (42%). The fact that Brazil is such an important global player and is not only the receiver of development aid, but also an important partner, is a key element in the fight against inequality and a stabilizing factor for democracy. A country that is accountable for its development and that supports other countries in the fight against inequality cannot accept inequality and poverty among its people and must be prepared to fight it vigorously.

In terms of social issues like crime and violence, unfortunately, despite significant progress in the time span 1990-2015, the situation in Brazil is still a major source of concern, and the country is known worldwide as one of the most violent

countries in the world, with the poorest living in disadvantaged areas bearing the burden of such violence. As it was briefly touched upon in the second chapter concerning all of LAC, in 2015 Brazil had 59,080 murder cases, which equals to the total number of homicides in the United States, China, all of Europe, Northern Africa, Japan, Indonesia, Australia, Canada and New Zealand combined together (Metrocosm, 2017). As it is often the case, violence is focused in the poorest areas, in the favelas, and it is a social issue in the country, with many of its inhabitants feeling insecure and living with fear. As reported by Murray, de Castro Cerqueira and Kahn (2013), in time span 1980-2010, there were 1 million homicides in Brazil, and the increase in homicide rates also caused higher inequality, a higher percentage of young male in the population, higher consumption of drugs and use of illegal weapons. Moreover, there was a very dramatic increase in the prison population, making it the fourth largest prison population in the world (Murray, de Castro Cerqueira and Kahn, 2013), and in the time span 1997-2007 the prison population in Brazil grew more than any other country in the Americas, with 515,000 individuals incarcerated in Brazil (270 people every 100,000) (Murray, de Castro Cerqueira and Kahn, 2013). Such high incidence of crime and violence, as it is easy to imagine, has a very high cost, both in economic and social terms. Such violence causes injuries and fear and takes a very high toll on an individual's well-being: Murray, de Castro Cerqueira and Kahn (2013) reported that for example in 2004 the total cost of violence and crime (in terms of loss of human capital from death, prisons, private security and public health) was estimated to 92 billion Brazilian Reais (about USD 30 million), 5.1% of the GDP, while the human capital cost of homicides amounted to 2.3% of GDP in 2007.

Another worrying sign of inequality, which causes social unrest in Brazil is due to the discriminatory practices that many people of African descendants face in the country. Brazil was the last country to abolish slavery in Latin America in 1888, and nowadays, 54% of the Brazilian population is of African descendant. Yet, as reported by Gradin (2007), the Afro-Brazilian portion of the population faces substantial discrimination, is exposed to higher levels of poverty, due both to lower levels of education and geographical provenience. However, the results of Gradin's analysis also show that higher levels of poverty are also due to exposure of lower quality education and discrimination in the labor market.

A recent study by the Mexican NGO Consejo Ciudadano para la Seguridad Pùblica y Justicia Penal (2017), reported that 19 out of the 50 most dangerous cities in the world are located in Brazil: out of the 50 cities in the list, Brazil has 19, Mexico 8, Venezuela 7, the United States 4, Colombia 4, South Africa 3, Honduras 2, El Salvador 1, Guatemala 1 and Jamaica 1.

Crime and violence in Brazil are an expression of the high inequality which is present in the country, and they are fed by inequality and in their turn they feed the high level of inequality.

### 3.12 Conclusion

In this chapter, I have attempted to show the situation of Brazil in the time span 1990-2015, highlighting the many and significant changes, and calling upon the remaining challenges.

What has appeared throughout the research is that the country has achieved significant progress in its path to development, especially if one bears in mind that it experienced 21 years of dictatorship, and it has been firm on the democratic path since 1985. Brazil has embarked on a very strong battle to overcome poverty and its inequality. It has managed to turn the lives of million people around, taking them out of poverty, enrolling them into its social programs, such as the well-cited *Bolsa Familia*, it has changed its Constitution to include food security as a right that the Government has to protect and guarantee for all people. It has been able to experience a very strong growth.

Yet, despite all this important and remarkable success, Brazil is still facing severe challenges that are taking a very high toll on the lives of its citizens and have a very high social cost, in terms of loss of human capital, loss of GDP, loss of trust in the institutions. Inequality is still the greatest challenge of the country, one that will need to be tackled with new and important policies, such as a different tax system and a redistributive system. Inequality takes a very high toll on the development and stability, both at social and political level. If Brazil wants to continue in its successful path to human, social, political and economic development, new avenues will have to be explored.

The second chapter of this part on Brazil will conduct statistical and qualitative analysis on the relationship between inequality and democracy in the time span 1990-2015, to identify how the relationship between the two has evolved, also in a

context of more global political and democratic instability and erosion, with the advent of extremist and populist movements. The policy implications derived will be helpful in the context of the new Sustainable Development Agenda and in a time in which democracy is challenged by globalization, trade liberalization and capitalism.

#### 4 BRAZIL: POVERTY, INEQUALITY AND DEMOCRACY: DATA ANALYSIS (1990-2015)



## 4.1 Introduction

While the first chapter of this section on Brazil has focused on some of the most relevant dimensions of development and democracy, such as population pyramids, food security, employment, women empowerment and social issues just to cite a few, this second chapter will conduct data analysis to explore the relationship between inequality and democracy. However, before moving to the mere data analysis, it is useful to provide a bigger picture of the state of democracy in Brazil, as it can offer some important insight. Moreover, while the analysis will be conducted by using the the most relevant dimensions of the quality definition as elaborated by Morlino in his *Changes for Democracy* (2011), the first part of this chapter will introduce the work carried out by some of the most relevant democracy organizations, such as Freedom House and Latinobarometro; in particular, Latinobarometro provides perceptions of democracy and satisfaction with the state of democracy among citizens. If we intend democracy in the sense of government by the people for the people, we can see the relevance of having a tool which considers the individual perception and the level of satisfaction by the citizens. Freedom House, instead, provides a general overview of the countries by considering important aspects such as freedom rating, civil liberties and political rights. Moreover, both Freedom House and Latinobarometro allow for an analysis over time: while data are not available for the first years of the 1990s, it is possible to conduct data analysis over time to see both as the perception of citizens has changed over time and as one of the most important think tanks for democracy in the world rates the country, according to civil liberties and political rights, over the time span 1990-2015. Moreover, we can also look at Human Rights Watch, as human rights protection is at the core, or should be, of every democratic regime. Looking at

how Brazil fares in this respect can actually give very important clues about the state of democracy. Moreover, human rights are impacted by inequality to a large extent: as a matter of fact, the most vulnerable segments of society more than often witness their human rights being violated, neglected, not guaranteed by the State (think about food security for example: it is a right recognized by the Constitution of most countries of the world, yet, exposure to poverty and inequality violates this paramount right). If we look at human rights, we can easily determine how well a democracy is faring, where policies can be targeted and what improvements can be made. Indeed, as data show, there is a very high correlation between the respect of human rights and the quality of democracy, as good sound democracies respect, guarantee and protect human rights.

Furthermore, we can also look at other indexes that have recently been created, such as the Corruption Perception Index which describes the perception of corruption in the public sector worldwide, and tells a very important story about how citizens perceive their institutions, how happy they are with the quality of their lives (think about the World Happiness Index for example, which surveys how happy citizens around the world are with their lives), and other important indexes.

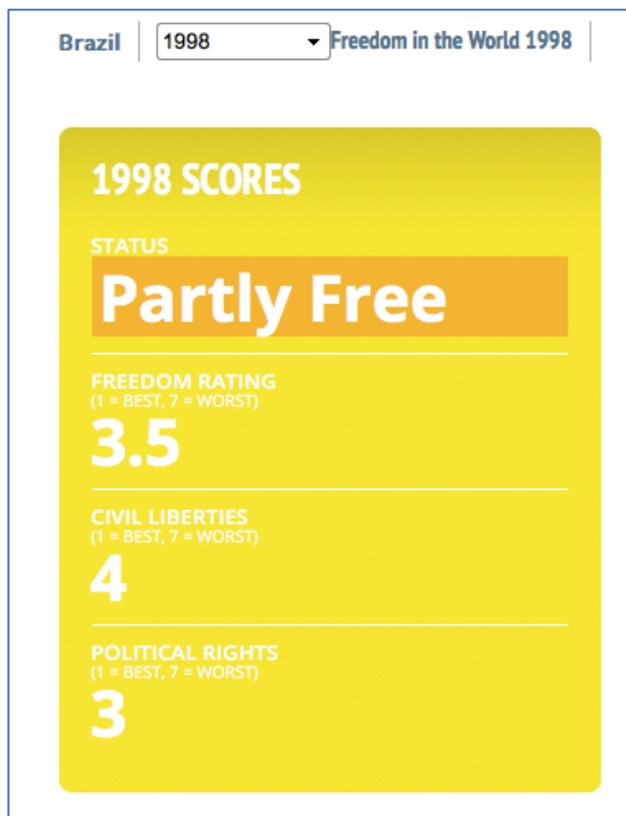
Finally, the second part of the chapter will present the concept of quality of democracy as detailed by Morlino (2011) and will conduct data analysis to explore the relationship between inequality and democracy.

## **4.2 Freedom House: Brazil 1990-2015**

This section presents the main democratic features of Brazil for the period 1990-2015, as outlined by Freedom House, an independent organization which aims at promoting human rights and democracy around the world. Analysis over the course of time will be provided, as it will show the progress in terms of democracy that the country made over the 25 years.

As it has already been shown in previous chapters, data analysis is frequently constrained by data availability. In this sense, our analysis through Freedom House can only start in 1998, the first year for which data are available. As Freedom House (2018a) shows, in 1998, Brazil was classified as partially free. The graph below shows the state of affairs for the country in the year 1998:

Graph 58: Freedom House rating Brazil 1998



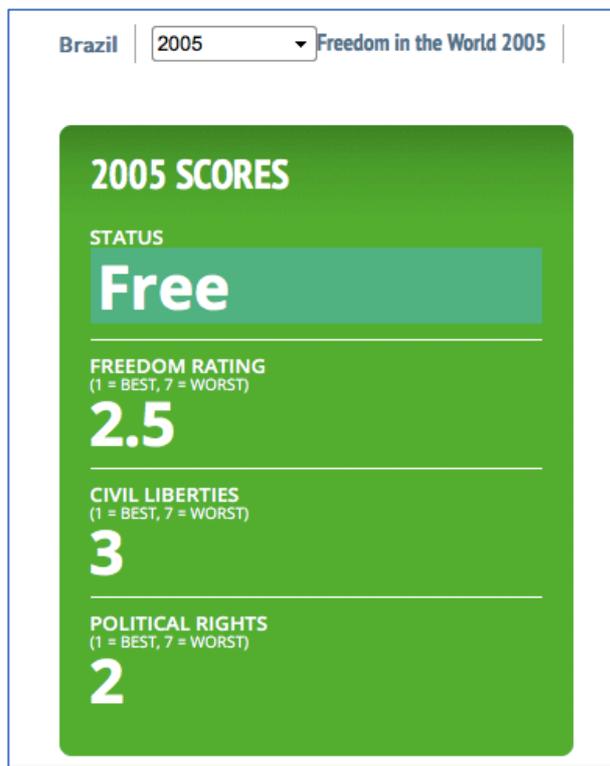
(Source: Freedom House, 2018a)

As we can see from the above graph, in 1998, Brazil faced several struggles in terms of freedom and democracy (civil liberties and political rights): it scored 3.5 in terms of freedom (with 1 being the best score and 7 the worst), scored 4 in terms of civil liberties, and 3 in terms of political rights. Moreover, as Freedom House (2018a) reports, in 1998 the country was struggling to recover from the strong economic crisis and corruption scandals involving two top officials of Cardoso's government, and use of legislative decrees to bypass Congress was common. In terms of civil liberties and political rights, citizens can change government through elections, and the 1998 elections appeared free and fair, the opposition won governorship of three of the biggest states of Brazil, while citizens were guaranteed by the Constitution the

freedom of religion and expression, as well as the right to organize political and civic organizations (Freedom House, 2018a), and Cardoso was also credited for trying and changing the climate of international criticism for human rights, and by creating a ministerial rank secretariat to defend human rights and challenging the climate of police impunity (Freedom House, 2018a). Yet, despite this good progress, some major issues were of concern in the country: the judiciary system was very weak, with a very low number of judges for the population, and little financial resources, which exposes it to the widespread corruption that characterizes the country, and the ties between the system and Italian and international criminal organizations were strong, and human rights were often violated with total impunity (Freedom House, 2018a). Brazil's police was classified amongst the world's most violent and corrupt, it was low paid, with poor working conditions, often torturing and abusing the weakest segments of the society, with as much as 70% of the population of San Paulo city being terrified by the military police, as a poll showed. The use of the army to help in times of police strikes was very common (Freedom House, 2018a).

If we look at Brazil's situation in 2005, we can see some changes, with significant improvement in all sections, in the classification and scores, as outlined in the graph below:

Graph 59: Freedom House rating Brazil 2005



(Freedom House, 2018b)

As the graph below outlines, the country is no longer listed as partially free, but is now classified as free, and its freedom rating has increased from 3.5 to 2.5 (with 1 being the best and 7 the worst) and also civil liberties have increased from 4 to 3 and political rights from 3 to 2. As Freedom House (2018b) reports, the 2003 elections were free and fair, and saw the election of President Lula da Silva, who was a former labor leader and political prisoner, and was the first President of Brazil to break the monopoly on power by a small Southern elite, military rulers and local political bosses. President da Silva spent the next years of his mandates battling the growing economic crisis, the high unemployment, the widespread violence in the country, corruption and racial inequality (Freedom House, 2018b), while he managed

to keep a good relationship with the United States, gained a credit line worth USD 30 billion from the IMF and a permanent seat at the UN Secretary Council, while establishing himself as one of the most authoritative voices for developing nations (Freedom House, 2018b). Also, as mentioned in the first chapter of Part 3 on Brazil, Lula da Silva's aid programmes (*Bolsa Familia* and *Brasil sem fome*) managed to erase Brazil from the Hunger Map. Yet, despite this relevant progress, several problems still remained: Brazil was still battling very high corruption, drug trafficking (being the major consumer of cocaine after the USA) and abuse and torture perpetrated by the police. In terms of political and civil rights, electors could vote to change their government and also the municipal elections of 2004 were free and fair, while corruption remained a very serious problem for the country. The Constitution guarantees freedom of expression: however, the press is privately owned, while the monopolistic TV Globo was challenged by its rival, Sistema Brasileiro de Televisao (Freedom House, 2018b). The print media played a very important role in exposing corruption, but journalists are often victims of threats and assaults, and there was a threat to expel a New York Times journalist who alleged drinking by the President, threat that was later withdrawn (Freedom House, 2018b). Freedom of religion and expression are guaranteed and respected, and while the judiciary is still weak, some improvements were made, with the establishment in 2003 of the National Coordination for the Protection of the Human Rights Defenders, and in 2004 of a hotline to report rights violations (Freedom House, 2003b). Despite the good progress, violence (see chapter 2 of Part 1) is endemic, with Brazil being the country with the highest number of homicide by firearms, and drug trafficking employs some 200,000 Brazilians, while the police forces continue to be among the most violent and corrupt in the world (Freedom House, 2018b). To conclude, President Lula da

Silva worked strenuously to improve racial and indigenous discrimination (Freedom House, 2018b).

If we look at Brazil's state of democracy for the year 2015, the last year of our analysis, we can see that further progress was made, as outlined in the graph below:

Graph 60: Freedom House rating Brazil 2015



(Source: Freedom House, 2018c)

The scores for Brazil in 2015 are significantly better: the country has improved significantly, the status is still free, which is a very remarkable thing, because it showed that the country was able to retain the good success and kept guaranteeing the same levels of civil liberties and political rights. Freedom rating improved from 2.5 to 2, while civil liberties from 3 to 2 and political rights stayed at 2 (with ratings from 1 being the highest to 7 being the lowest). The 2014 elections were free and

fair, electing Dilma Rousseff, the first female President of Brazil, for her second term. There were allegations of the involvement of Rousseff's party (PT) with state-owned oil company Petrobras, but President Rousseff managed to maintain her office; Brazil hosted the World Cup, and the protests against the high expenses for the event were mostly peaceful (Freedom House, 2018c). The Freedom Report for 2015 details the scores for political rights and civil liberties. In terms of political rights the country gets a total score of 33 out of 40: the electoral process in Brazil gets 11/12 as elections are generally free and fair, with the opposition winning the governorship of some states, and the latest elections (2014) saw the winning of President Dilma Rousseff with 51.6% in a run off vote; political pluralism and participation gets 14/16, as Brazil has a multiparty system with parties competing vigorously against each other, although some problems remain, as Afro-Americans, who make up the majority of the Brazilian population are underrepresented; and Functioning of Government gets 8/12, as unfortunately, corruption remains endemic in the country and represents the biggest challenge to the good functioning of the state with 2014 being marked by the Petrobras scandal of many politicians having paid for kickback scheme (for more reference see section 2.5 of this chapter, on corruption) (Freedom House, 2018c). In terms of civil liberties, the country gets a total score of 48 out of 60: freedom of expression and belief gets 15/16, with the country generally guaranteeing freedom of speech and press, even though 3 journalists were killed in 2014, and many attacked by the police during the World Cup; Brazil passed a very important law, Marco Civil, to protect internet user rights, and freedom of religion is generally respected in Brazil; Association and Organizational Rights gets a score of 10/12, with freedom of association and organization being generally respected in Brazil, with protests being respected and allowed during the World Cup (summer

2014) and with the allowance of trade unions, which are usually well organized and function well, and the strike by police forces demanding better pay and better working conditions; rule of law gets 10/16, as the judiciary is very weak in Brazil, and although it is independent, corruption is very present and severe slowdowns and intimidations are reported, and access is very unequal due to the high income inequality of the country, and violence (see section 3.11) is very common in the country, especially in rural areas and in favelas, although some positive results have been achieved due to the creation of Pacifying Police Units (UPP) in favelas<sup>16</sup>, but violence and abuse perpetrated by police forces remain a serious threat to the rule of law, and Brazil is generally very resilient against discrimination towards Afro-Americans, the LGBT community and also there are laws to protect the indigenous community, although these are not always enough to guarantee equality; in terms of personal autonomy and individual rights, Brazil gets 13/16, as the Brazilians generally enjoy freedom of movement and choice, but there are monopolies of the country's arable land, women are guaranteed equal rights as men, but they face violence in a larger proportion, despite the country passing a law against domestic violence; very poor slavery-like work conditions still persist in the rural part of the country (Brazil was the last country in Latin America to abolish slavery in 1888) and also child labor is unfortunately still common, especially among the most disadvantaged segments of the society (Freedom House, 2018c).

To conclude this brief section, outlining the state of democracy and freedom according to Freedom House, it appears that Brazil has made significant progress in terms of freedom rating, political and civil rights and liberties, yet several challenges, especially due to corruption, are still present.

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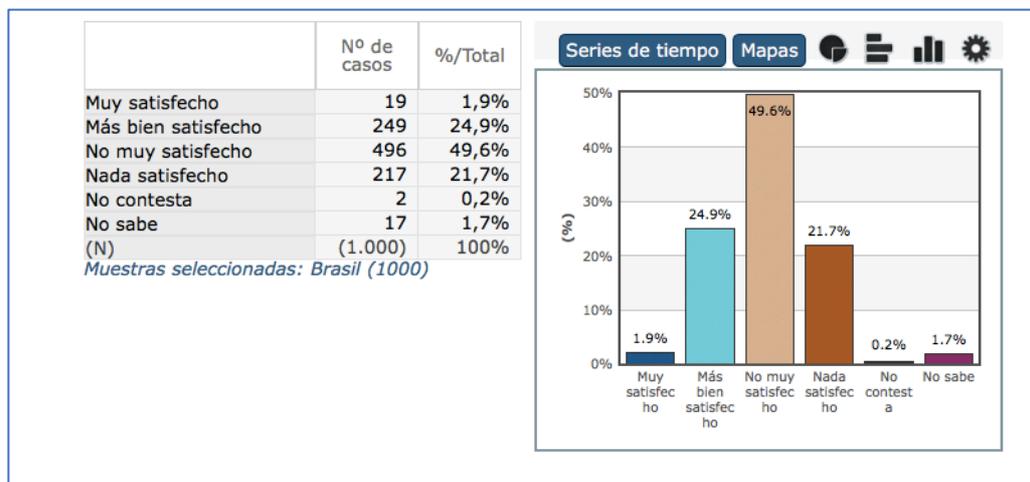
<sup>16</sup> Unfortunately, as it appeared clear in 2017, UPPs proved to be unable to face the growing threat caused by drug trafficking in favelas.

### **4.3 Latinobarometro: Perceived Democracy in Brazil (1990-2015)**

After having analysed democracy in Brazil according to Freedom House, which as we said is one of the most important watchdog organizations in the world, we can now look at data from Latinobarometro, which is a non profit organization and is responsible for carrying out independent opinion surveys every year, in 18 Latin America countries, involving about 200,000 million people. If we consider democracy in the sense of *government by the people for the people*, we can see the importance of including data from a public opinion poll, as it can provide important data on how citizens perceive democracy and how happy they are with it. Latinobarometro is a very important tool that has been operating for 22 years and has gained importance and recognition at worldwide level, being cited by many scholars.

While data are available since 1995, in order to ensure consistency with the analysis carried out with Freedom House data, I will analyze changes over 1998, 2005 and 2015, in Brazil, to see how satisfied citizens were with democracy, and how they perceived it. The data for our first year of analysis, 1998, show that the perception of democracy for Brazilians was not very good, and citizens were not very happy with democracy. The graph below outlines how satisfied citizens were with democracy:

Graph 61: Brazil 1998 - Level of satisfaction with democracy

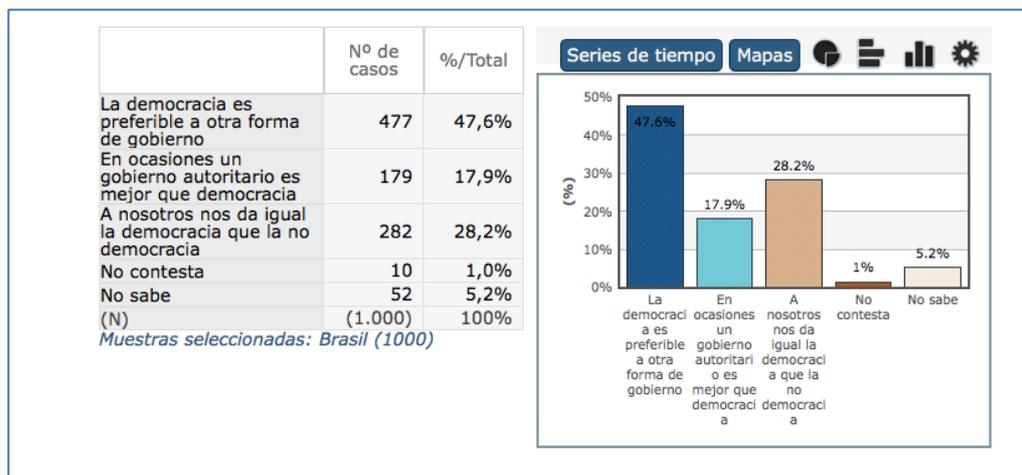


(Source: Latinobarometro, 2018a)

While Freedom House listed Brazil as partially free, and gave it a democratic score of 3.5 (with 1 being the best score, and 7 being the worst), the majority of the citizens were not very satisfied (49,6%), while 21,7% were not at all satisfied (a total of 71,3% were somehow not satisfied with democracy), while only 26,8% of people were satisfied (1,9% very satisfied, and 24.9% quite satisfied).

However, support to democracy was still very strong, as the following graph outlines:

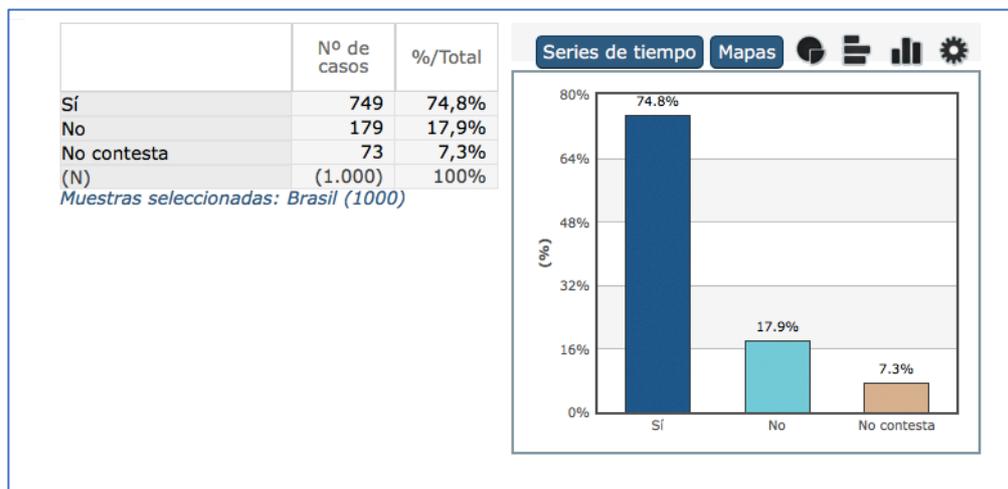
Graph 62: Brazil 1998 - Preference for political regime



(Source: Latinobarometro, 2018a)

As the graph shows, support to democracy is still strong as the majority of the people (47,6%) still believe that democracy is the best form of government, while 17,9% think that sometimes an authoritarian regime is better than a democratic one, while 28,2% think that their life would not be affected whether or not the regime was democratic. Moreover, as the following graph shows, an overwhelming majority of the population would be ready to defend democracy if democracy was threatened 74, 8% against 17,9% who instead would not defend it (answering to the question if they would defend democracy):

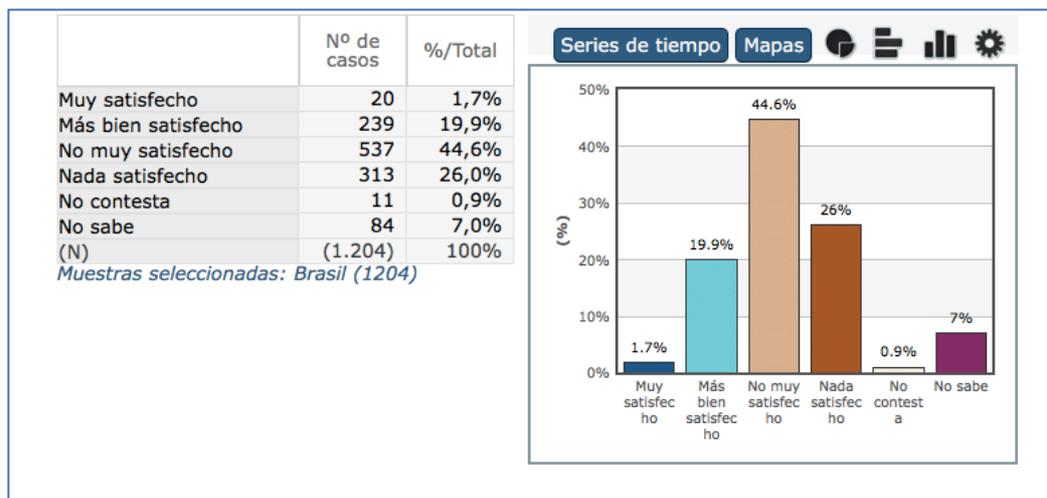
Graph 63: Brazil 1998 - Support to democracy



(Source: Latinobarometro, 2018c)

If we look at data for 2005, when the country was considered as free according to Freedom House, and had improved all its scores in terms of freedom rating, political rights and civil liberties, and was under the Presidency of Lula da Silva, some things appear very different from 1998 (when answering to how satisfied citizens are with democracy):

Graph 64: Brazil 2005 - Level of satisfaction with democracy

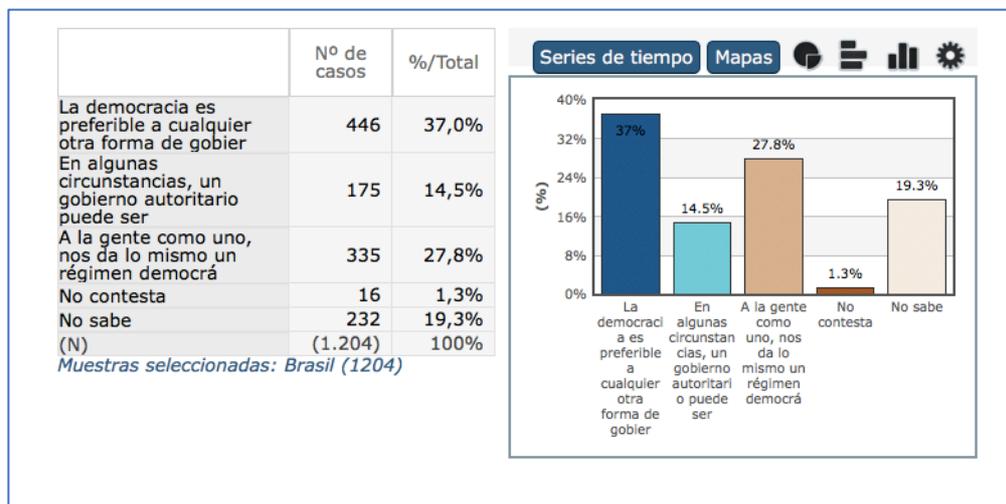


(Source: Latinobarometro, 2018a)

Again, the level of satisfaction with democracy is very low, as 44,6% is not very satisfied, while 26% is not at all satisfied (a total of 70,6% of people somehow not satisfied), while 19,9% of people are quite satisfied and 1,7% are very satisfied (a total of 21,6% of somehow satisfied): while the level of not satisfaction has stayed substantially the same, the level of satisfaction has decreased by about 5%.

The next graph outlines support for democracy for the year 2005, showing substantial loss of support for democracy:

Graph 65: Brazil 2005 - Preference for political regime

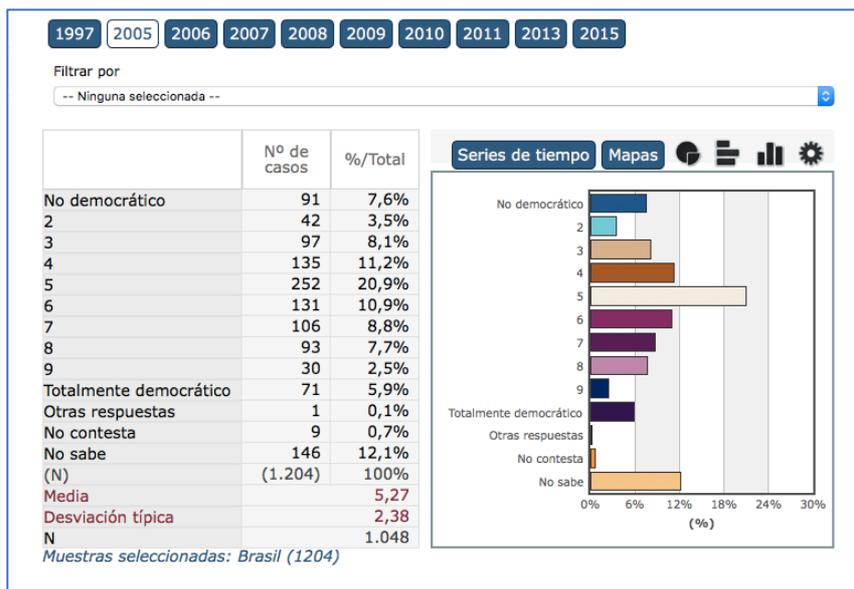


(Source: Latinobarometro, 2018a)

As the graph above shows, now only 37% (against 47,6% in 1998) think that democracy is the best possible form of government, while 14,5% (against 17,9% in 1998) believes that in some occasion an authoritarian government is better than a democratic one. The loss of support for democracy results in more people answering that they do not know (19,3% against 5,2%), showing a dissatisfaction with democracy and more political ignorance, while objective data from Freedom House tell us that in the 7 years from 1998 to 2005, the country recorded very important results in terms of freedom (one of the main components of democracy) and political rights and civil liberties.

Data from 2005 do not contain the question about support for democracy anymore, but contain a very important question, which is how democratic citizens think their country is on a scale from 1 to 10. The graph below highlights results:

Graph 66: Brazil 2005 - Level of democracy in Brazil according to citizens

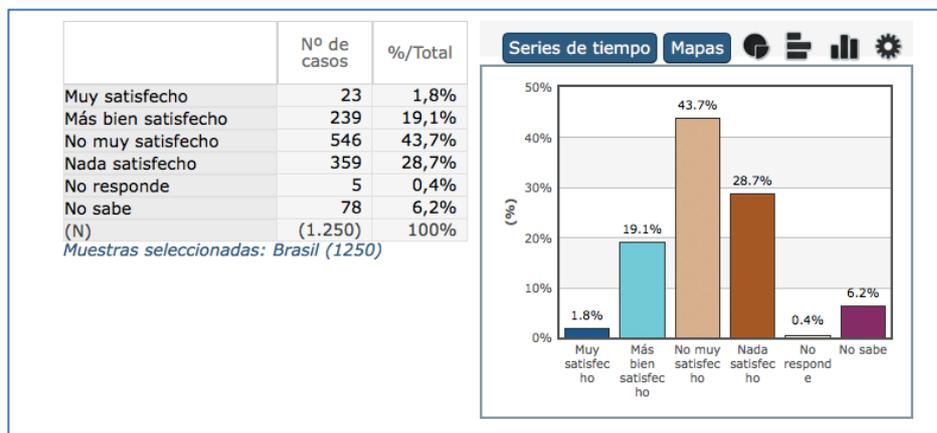


(Source: Latinobarometro, 2018a)

Results show that according to Brazilians, in 2005, Brazil is not a totally democratic country, but the majority of the people indicate that on a scale from 1 to 10, the country scores a 5 in terms of democracy, which is a very low result.

Finally, data from the last year of our analysis, 2015, show further disillusion with democracy, as outlined in the graph below:

Graph 67: Brazil 2015 - Level of satisfaction with democracy

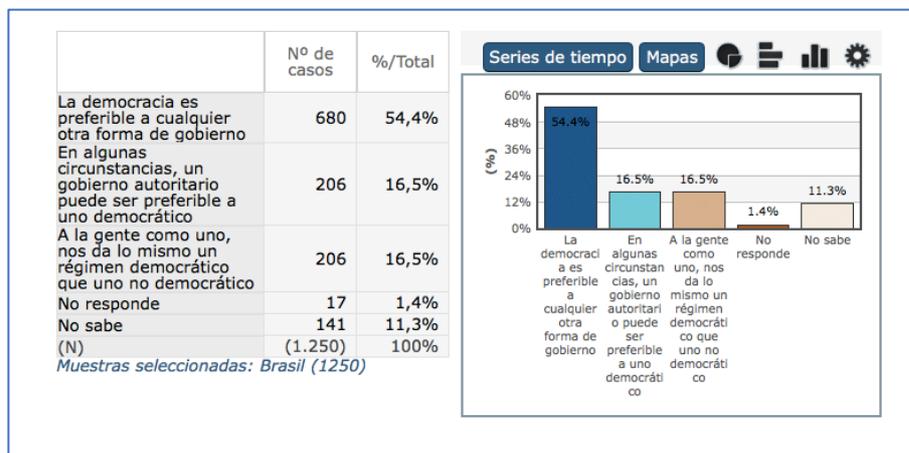


(Source: Latinobarometro, 2018a)

As the graph below shows, the level of satisfaction with democracy has further decreased, with 20.9% being satisfied with democracy (19.1% quite satisfied and 1.8% very satisfied) while a total of 72,4% is not satisfied with democracy (43.7% not very satisfied and 28.7% not at all satisfied) showing a further increase in non satisfaction with democracy.

Yet, as the next graph outlines, the majority of the people still believe that democracy is the best form of government:

Graph 68: Brazil 2015 - Preference of political regime

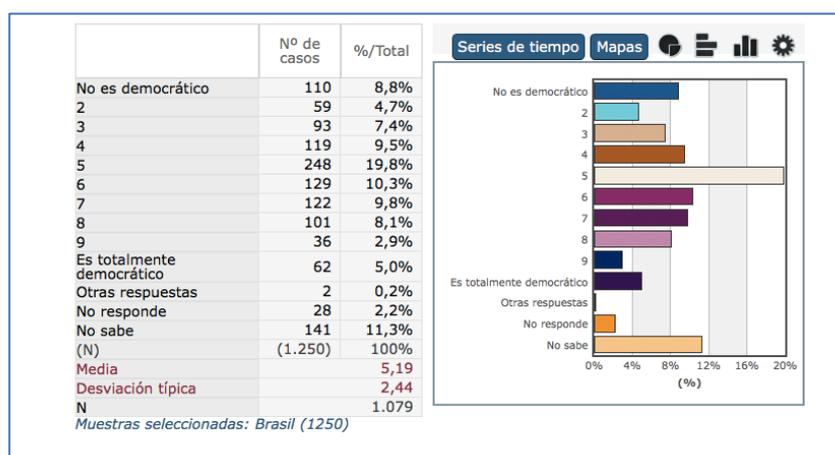


(Source: Latinobarometro, 2018a)

As we can see, 54.4% of Brazilians believe that democracy is the best form of government, an increase by about 17% compared to 2005, while more or less the same (16.5%) believe that in some cases, it is better to have an authoritarian regime than a democratic one, while 16.5% (against 27.8% in 2005) believe that it make no difference whether or not they live in a democratic regime or not. Hence, this graph shows a somewhat re-found faith in democracy, at least in theory.

As a matter of fact, the next graph shows that, while Brazilians still believe that democracy as the best way of democracy, they do not think that their country is very democratic:

Graph 69: Brazil 2015 - Level of democracy in Brazil according to citizens



(Source: Latinobarometro, 2018a)

As the graph shows, about the same percentage of people (20.9% in 2005 and 19,8% in 2015) still believes that Brazil is not very democratic, ranking 5 on a scale from 1 to 10 from being not democratic to being democratic. These result clashes with the data from Freedom House, in which Brazil is still classified as free, has a freedom score of 2 (with 1 being the best and 7 the worst) and scores a 2 in both political rights and civil liberties. Such results are probably due to the widespread corruption as it will be shown in section 2.5 of this chapter, as corruption plagues the country and undermines the sense of democracy and legitimacy in the country.

To conclude this brief section on the state of satisfaction and perception of the Brazilian citizens about democracy, we have seen that Brazilians are not very satisfied with democracy, despite the actual good results and many achievements that the country has managed to record in the 25 years taken into account. Yet, encouraging, in a time in which most of the world is being swept by populisms, democracy is still perceived as the best form of government, with an increased level

of trust in 2015, possibly due to the good results that the country achieved economically in the 10 years from 2005 to 2015.

#### **4.4 Human Rights Watch: Human Rights in Brazil (1990-2015)**

As human rights protection and respect is one of the main indicators of how a democracy is fairing, with a strong correlation between human rights respect and the democratic texture of a country, we can now review how human rights fared in Brazil in our 25 years of analysis. Here as well, in order to maintain consistency with the previous research in the chapter, the years 1998, 2005 and 2015 will be analysed, to highlight progress and setbacks in terms of human rights.

Not surprisingly, as we have already seen in the previous chapter and in this chapter as well, serious violations of human rights are present. However, Human Rights Watch (1998) in its report for 1998 highlights that, unlike the previous years, the year was not marked by gross human rights violations. Rather, the year was characterized by police abuse, disturbance in the overcrowded prisons of the country, the failure to prosecute abusers in the police forces, and the inability by the government to implement the principles contained in the National Human Rights Program, which was released in May of that year. In terms of police abuse, which is still one of the main problems of Brazil's abuse of human rights, Human Rights Watch (1998) highlights that the major problems were reported in Rio de Janeiro, where the police killed an average of 60 civilians per month, and police forces received pay rises and promotions for acts of bravery, but such killings were killings of suspects, as Human Rights Watch had demonstrated. Moreover, the police in Rio de Janeiro killed nearly twice as much as their counterparts in San Paulo, although it was demonstrated that nearly 30% of police violence had gone unreported. As a consequence of these worrying figures, the State of Rio de Janeiro promised to repeal both the pay rises and promotions for acts of bravery (Human Rights Watch, 1998). The police in San Paulo was subjected to the control of the Police

Ombudsman Office, which processed complaints of police violence and carried out psychological checks on those policemen involved in civilians' killings to evaluate their state of mind, while such steps did not exist in Rio de Janeiro (Human Rights Watch, 1998). Also, violence perpetrated by death squads formed by civil police, military police and taxi drivers persisted in the country, and in general police continued to use torture as a means of investigation in Brazil, while it was also common to see abuse and torture by police in lockups and prisons (Human Rights Watch, 1998). Moreover, several key witnesses were executed for their exposure of police officers involved in drug trafficking, while impunity continued to be the rule (Human Rights Watch, 1998). Indigenous people continued to be victims of land invasion and deprivation (Human Rights Watch 1998).

Severe abuse of human rights continued in the year 2005. As Human Rights Watch (2007) reports, while the Brazilian government tried to improve its human rights standards due to the pressure of human rights associations at national and international level, and also as it sought a better human rights track to obtain a permanent seat on the United Nations Security Council, it never brought to justice the perpetrators of violence. In 2005, police violence reached a new high in March 2005, when 29 people, including women and children, were executed by a death squad in the Baixada Fluminense, one of Rio de Janeiro's poorest and most violent areas, just outside of the city. The mass killing caused mass demonstration and public outrage in the world, which led to cooperation between all armed forces and the arrest of 11 policemen (Human Rights Watch, 2007). The killings in the Baixada Fluminense were in retaliation against the detention of 9 police officers accused of killing 2 people, decapitating the bodies and leaving them behind in a police station in the Baixada Fluminense area. Human rights protesters requested the State of Rio

de Janeiro to adopt a program to reduce civil deaths, masked under the resisting arrest category (Human Rights Watch, 2007). Besides police violence against civilians, other major human rights violation persisted in Brazil's prisons, which are overcrowded, corrupted and where violence is common: Human Rights Watch (2007) argues that all parties acknowledge that Brazilian prisoners are held in scandalously abusive conditions; children and adolescents held in Brazilian prisons face the same consequences. Indigenous people and rural inhabitants face persecution, land robbing, violent attacks and killings as a result of land conflicts (Human Rights Watch, 2007). Impunity is the rule in Brazil, and in December 2004 the Government passed a constitutional amendment to consider human rights as federal offenses, so that some violations might be passed for investigation to the federal government and not remain within the state. Human rights defenders often face threat, abuse and murder as a result of their engagements: in 2005, 3 human rights defenders were killed (a nun who had denounced threats against rural workers, a priest who had been involved in mobilizing families of the victims in the Baixada Fluminense killings, and a defender of human rights of gay people).

If we analyse human rights protection and respect 10 years later, in 2015, the last year of research, we still see that severe problems such as unlawful police killings, prison conditions and torture as a means of investigation persist in the country (Human Rights Watch, 2016). While the country tried to ensure that perpetrators of violence are brought before justice, a law that allows to prosecute adolescents of 16 and 17 years of age as adults was passed, against international standards. Moreover, in general, the country recorded mixed results before the United Nations Human Rights Watch (Human Rights Watch, 2016). Police violence continued to be a major problem in the country: in 2014, the number of killings by

police officers increased by 40%; in Rio de Janeiro, in the first 10 months of 2015, police killings increased by 18% respect to the previous year, while in San Paulo by 1% (Human Rights Watch, 2016). While some of the killings happen as a result of the legitimate use of the force, human rights groups have reported that others represent illegitimate use of force, and Brazilian criminal justice officers have acknowledged this: during 2015, there were as many as 4 killings of young people by the police as a retaliation for petty crimes; also, police is often involved in death squads operating in the country (Human Rights Watch, 2016). Prison overcrowding is very severe, with prisons holding as much as 60% more people than what they were built for; HIV and tuberculosis are respectively 60 and 40 times more common than among the free population, but as a positive sign, all of Brazil states have started to bring detainees before a judge promptly after arrest (Human Rights Watch, 2016). In 2015, the Senate approved a counterterrorism act, which uses vague language, and could be used to prosecute as terrorists those in dissent; 7 journalists and bloggers were killed in the first 10 months of 2015, with two of them tortured before being killed, and all of them had written about corruption and local politicians (Human Rights Watch, 2016). In 2015, an attempt to totally forbid abortion (which in Brazil is only legal in case of rape, anencephaly, or endangerment of a woman's life) was made, and women undergoing illegal abortion can be prosecuted (Human Rights Watch, 2016). Finally, rural violence and violence against indigenous people are still common, as an attempt to expropriate their lands, and killings are still left unpunished (Human Rights Watch, 2016).

To conclude, as this short section on human rights protection in Brazil over the 25 years of our research has attempted to show, severe human rights violations in Brazil have persisted for 25 years. Killing and abuse by the police are still

common, and this undermines the sense of democracy, legitimacy and the rule of law of the country. Moreover, such violence is often, if not always, directed against the most vulnerable segments of the society, favelas dwellers, people living in poverty and extreme poverty, people of racial minorities or black people. As long as these severe violations will continue, there will be a constant sense of failure of democracy in the country, and inequality will soar.

#### **4.5 Corruption, happiness and other indexes (1990-2015)**

This section aims at exploring corruption and other indicators that can contribute to determining how Brazil is faring as a democracy. While they do not aim at being exhaustive or showing the complete picture of the country, they represent one additional tool to analyze democracy in Brazil according to a multidimensional perspective. The choice of dedicating a whole section to corruption is due to the massive relevance that the phenomenon has in the country, and in the region as well. As a matter of fact, while 2017 is outside of the time span of our research, it is important to cite that in this year, the latest data available for corruption, show that for the first time ever, corruption was perceived as the most urgent problem for Brazil: the country ranked 96 out of 180, with a decrease by 17 positions in just one year (ranking 79 in 2016). In 2017, Brazil fared worse than countries such as Timor Leste, and occupied the same position as countries such as Colombia and Indonesia (Globo, 2018). The following graphs show the situation in Brazil for 2017:

Graph 70: Corruption ranking 2017



(Source: Transparency International, 2018a)

Graph 71: Brazil's ranking 2017

### Posição no ranking

1	Nova Zelândia	91	Timor-Leste	177	Afganistão
2	Dinamarca	96	<b>Brasil</b>	178	Síria
3	Finlândia	96	Colômbia	179	Sudão do Sul
3	Noruega	96	Indonésia	180	Somália

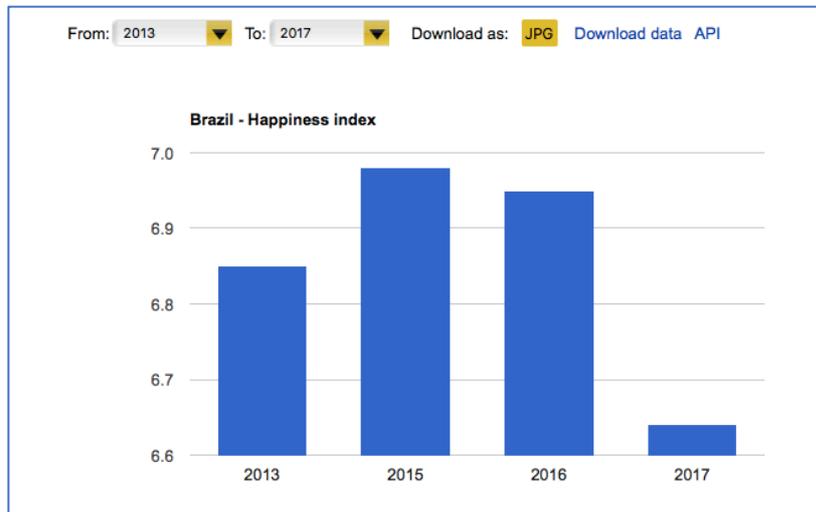
(Source: Transparency International, 2018a)

If we analyze corruption perception in the public sector in perspective for the years 1998, 2005 and 2015, we can see how the situation has actually deteriorated over time.

As a matter of fact, if we look back at data from Transparency International for 1998, we can see that Brazil ranked 46 out of 85 countries (Transparency International, 2018b), faring worse than countries such as Zimbabwe and Malawi (ranking respectively 44 and 45). However, in 2005, the surveys by Transparency International (2018c) became more exhaustive, surveying a total of 159 countries: in this year, Brazil had lost several positions, ranking 63, just below Belize, and Cuba, Thailand and Trinidad and Tobago. Finally, if we look at data from 2015, Transparency International (2015d) highlights that 10 years later, the country had lost even more positions in its ranking, and was ranking 76 out of 167 countries. As Globo (2018) reported, IPC index has been falling steadily in Brazil since 2014, with 2017 being the worst year ever, in which citizens were thinking that corruption was the main problem of the democratic society in Brazil. This increased perception of corruption was mainly due to the huge oil scandal involving Petrobras and the Lava Jato (Carwash) operation: as Transparency International (2018d) reported about corruption in 2015, corruption is not a victimless crime, and it costs jobs to the already troubled Brazilian economy, and also contributed to the impeachment of President Rousseff's in 2016, destabilizing the democratic texture of the Brazilian society even more, and contributing to the loss of faith in democracy and the perception of extremely high corruption in the country. As the 2017 poll reported (Transparency International, 2018a), corruption is on top of the list of things that Brazilians would like to change about their democracy, and it is representing a major bottleneck to the democratic development of the country.

If we go back to the original meaning of democracy as government by the people for the people, we can look at other indexes that can help us see how the country is faring in terms of democracy and development, in the sense of Amartya Sen's words that development should be the expansion of freedoms to live the kind of life that a person deems worth living. We can look for example at other indicators as a tool to provide a clearer picture of a country. In this sense, we can look at the recently created Happiness Index, commissioned by the United Nations Sustainable Development Solutions Network in 2011, and launched in 2012, to see how Brazil is faring in this respect. Due to the recent creation of the index, our retrospective analysis can only examine data from the first year (2013) and the last year of our research (2015) to see how the Brazilian society is progressing in this sense: in 2013, Brazil had a World Happiness Index of 6.849 (on a scale of 0 being unhappy and 10 happy) and ranked 24, while in 2015, it had a score of 6.983 and ranked 16 (Countryeconomy, 2018). The graph below summarizes data from 2013 up to 2017 (even though the time span of research stops at 2015) as it is interesting to see how such a new index is evolving:

Graph 72: Brazil's Happiness index



(Source: The Global Economy, 2018)

What the above graph shows, is that Brazil was recording some progress in its path to development, while we have to remember that its maximum score was in 2015, with a 6.983 out of 10. What we should bear in mind, as the United Nations itself reiterates, is that we should not underestimate the measurement of happiness as a trivial thing; happiness comprises personal freedom, security, freedom from poverty and inequality. Happiness is in itself, a multidimensional measure of personal well being, and it reflects a bottom up vision of the world which policy makers should consider when designing policy and interventions.

Finally, also the OECD has created a multidimensional indicator that measures well being in the country: the Better Life Index, and which compares this multidimensional indicator with the average of the OECD country. As the OECD (2018) remarks, while Brazil presents severe problems that are unknown the most of the OECD countries (think of the tremendous violence and crime rate in some of its major cities for example), Brazil's multidimensional index, which comprises important

components such as housing, income, jobs, community, education, environment, life satisfaction among others, is 6.6, in line with the OECD average of 6.5.

To conclude this brief section on corruption and other indicators, it can be highlighted that despite considering Brazil as a very corrupt country, Brazilians have a very optimistic view and are generally satisfied with their life, although they consider corruption as the main bottleneck for the sound development of the country.

#### 4.6 Quality of Democracy in Brazil (1990-2015)

In line with what we have seen very briefly during the first chapter on poverty inequality and democracy, we can now analyze the situation of the quality of democracy in Brazil in the time span 1990-2015. The analysis follows the definition as given by Morlino (2011). As it has already briefly explained in the first chapter, I will use the concept of quality of democracy as it more closely mirrors the relationship between what people want and how the government responds to such requests. As we have seen briefly in the first chapter, Morlino (2011) distinguishes 8 dimensions: *rule of law, electoral accountability, inter-institutional accountability, political participation, political competition, freedom, solidarity/equality, and responsiveness*. Each dimension has a set of sub-dimensions (see table 2 in Chapter 1 Part 1 for more references). In this research, not all dimensions will be used, but the 5 most relevant dimensions, that can serious influence inequality and be influenced by it, will be used for the analysis. These dimensions are: *rule of law, freedom, electoral accountability, participation and competition*. In particular inequality, which for Morlino constitutes one of the most important dimensions of his quality of democracy, will be omitted as it would be tautological to use it when the other variable of our research is inequality.

Before starting the data analysis, it is useful to analyze the situation of Brazil as described by Morlino and his contributors in 2016 (Morlino, 2016) and 2017 (Morlino et al, 2017), as such analysis will facilitate research in the later part of the chapter. As Morlino (2016) explains, when we want to talk about quality of democracy, we need not only focus on the concept of democracy, but also on the concept of quality, which can take up at least three different meanings: quality as the respect of established procedures, with emphasis on the procedure; quality as

having good structural characteristics, therefore, quality as content; and quality as the satisfaction derived from its functioning, therefore, quality as results. As Morlino points out both in his 2011 and 2016 works, a quality democracy is a democracy that manages to fulfill all these three connotations of quality, as he formulated his concept of a quality democracy: *a stable institutional structure that realizes the liberty and equality of citizens through the legitimate and correct functioning of its institutions and mechanisms* (Morlino, 2011). If we look briefly at the 5 dimensions of procedural democracy as per Morlino's definition, we can see that as Morlino argues (2016) rule of law is not only the enforcement of legal norms, but it also entails the supremacy of the law, by having, as a minimum requirement, authorities that comply with the laws, and have laws that are universal, stable unambiguous and non-retroactive); electoral accountability is the obligation by political leaders to acknowledge responsibility for their actions when required to do so by their electors; competition is another dimension which is necessary to ensure that electoral accountability is possible, as political competition must be present to allow for distribution of power and real electoral alternatives; participation is defined as all the set of behaviors that allow women and men to aggregate and try and influence the recruitment of political authorities and their decisions, with the basic goals of achieving or strengthen an identity; lastly, freedom (together with equality which in this research has been extrapolated and used as a independent/dependent variable) is a substantive dimension as it is central to almost all definitions of democracy, and can be translated into the enjoyment of political and civil rights (while equality entails the ability to enjoy a set of social rights for equality and solidarity), which include the right to vote, the right of political electors to compete freely and the right to be elected to public office. This are the most relevant dimensions to this research of the

8 dimensions identified by Morlino (2011, 2016, 2017), and will be used to carry out data analysis to explore the relationship between inequality (which is one of Morlino’s dimension of procedural democracy) and democracy.

If we look at Brazil for the time period 1990-2015 according to the definition of quality democracy as elaborated by Morlino (2011), we can see that Brazil is fairing remarkably well, due to the high level of electoral accountability. As Morlino (2016) highlights, the country has the highest level of electoral accountability in the region, and ranks among the first four democracies in Latin America, even in front of Argentina, as the table below shows:

Table 3: Quality of democracy ranking -Latin America

Country	Rule of law	Electoral accountability	Inter-institutional accountability	Political participation	Political competition	Freedom	Solidarity and equality	Responsiveness	Total
Uruguay	3.44	3.74	3.74	4.75*	4.07	4.78	2.65	3.84	3.88
Chile	3.82	4.42	2.69	4.54*	3.71	4.78	3.00	3.84	3.85
Costa Rica	3.63	4.04	2.82	4.07*	4.39*	4.33	3.37	3.50	3.77
Brazil	2.50	4.86	3.40	4.23	4.28	4.17	2.85	3.16	3.68
Argentina	2.27	3.75	4.34	4.17	3.93*	4.17	3.09	3.26	3.62
Peru	2.46	3.07	3.57	4.12	3.89	3.50	2.55	3.03	3.27
El Salvador	2.19	3.77	3.45	3.53*	3.67*	3.98*	2.44	2.98	3.25
Paraguay	1.81	3.70	3.39	3.58	3.54	3.58	2.31	3.23*	3.14
Mexico	2.37	3.47	3.25	3.44	3.68	3.11	2.99	2.78	3.14
Bolivia	2.16	3.50	3.38	4.08	2.70	3.48	2.33	2.97	3.08
Guatemala	2.37	3.86	2.27	3.30*	3.92	3.37*	2.13	2.94	3.02
Colombia	1.77	3.10*	3.33	2.66	3.54*	3.22	2.31	3.07	2.88
Ecuador	1.74	2.38	1.96	3.74	3.42	3.22	2.50	3.49	2.81
Nicaragua	1.70	1.15	3.49	3.07	2.92	2.21	2.41	2.86	2.48
Venezuela	0.92	1.85	2.67	2.91	2.74	2.00	3.10	3.19	2.42

(Source: Morlino, 2016)

As we can see from the above table, which contains figures for the time span 2009-2012, Brazil ranks 4 in terms of procedural democracy, with a score of 3.68 out of 5: the weakest points are rule of law (as we have seen already during the course of the third chapter and in this chapter), and solidarity and equality. In general, as Morlino (2016) underlines, the countries with the lowest equality are also faring bad in all other dimensions, but in this sense Brazil is an exception, as it combines very low scores for rule of law and equality and solidarity, with very high levels of other indicators, such as electoral accountability, political participation and political competition. If we want to represent the country's quality of democracy according to Morlino (2011), including equality and solidarity, responsiveness and interinstitutional accountability, we get a graph that shows exactly where Brazil is faring better and where it still needs to improve its ratings:

Graph 73: Quality of democracy in Brazil 2009-2012



(Source: Data from Morlino, 2016)

As Morlino (2016) has shown, the dimensions of equality and solidarity and the rule of law are below 3, and need to be strengthened, as they are what is making the country fail. If we take the same radar graph, but take off the 3 dimensions of procedural democracy, equality and solidarity, because inequality is part of our research question, so it would be tautological to re-sue it, and interinstitutional accountability and responsiveness, as they are less impacted by inequality and less relevant to the research, we obtain the following graph:

Graph 74: Quality of democracy in Brazil 2 2009-2012



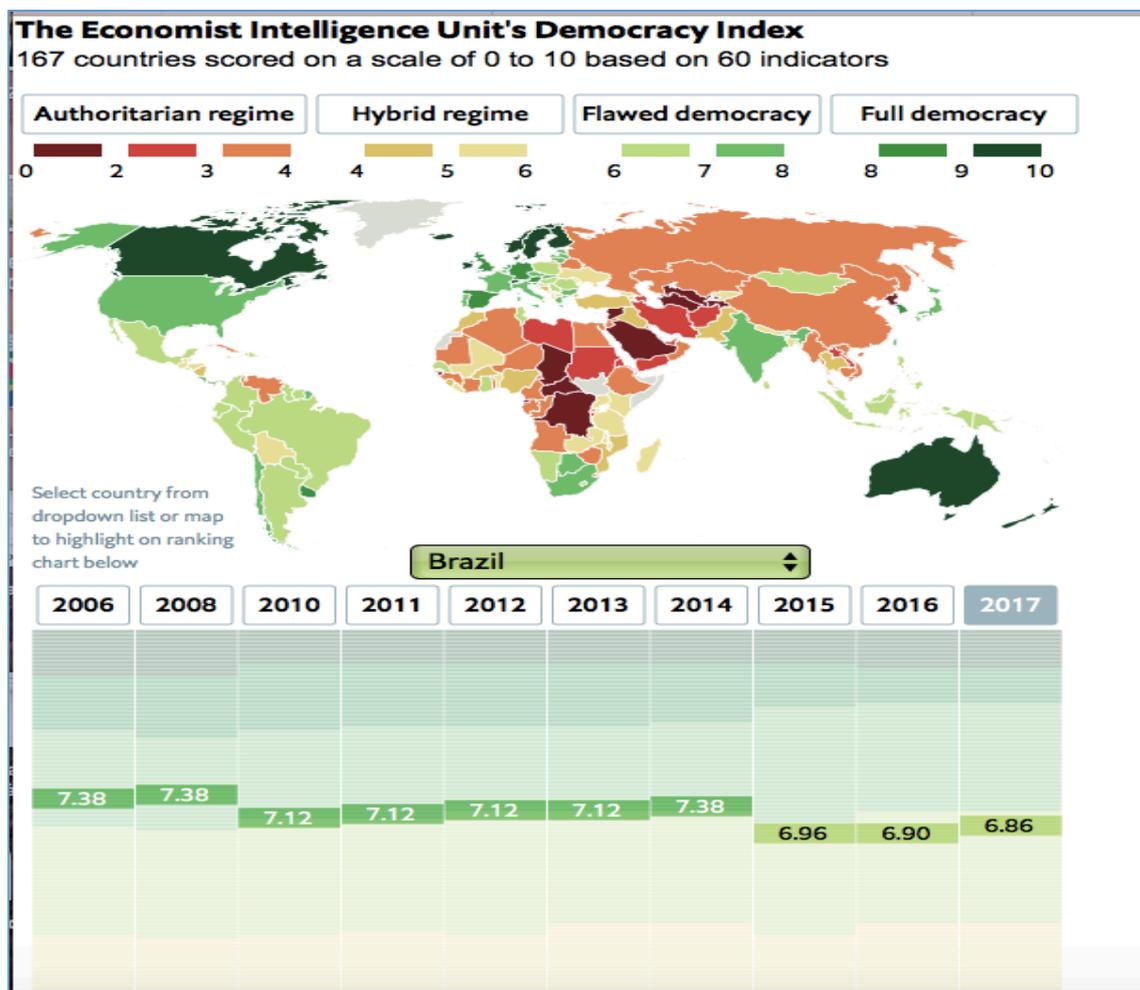
(Source: Data from Morlino, 2016)

As we can see from this modified graph, which includes only the most relevant dimensions which can be impacted by inequality, we see that we get a much more balanced figure, where the only dimension where Brazil is faring low is the Rule of Law, but all the other dimensions present a very high score (more than 4 out of 5). If we aggregate the 5 dimensions selected, we can see that for 2013, Brazil gets an average score of 4.00, which is slightly higher than Morlino's 3.68 (comprising all 8 dimensions) as we have taken away the dimension of solidarity and equality, where Brazil is faring really low (see Table 3 for detailed scores).

To conclude, it is worth looking at other indicators for democracy, like the one developed by the Economist Intelligence Unit, the democracy index, based on 60 indicators, according to which, Brazil is considered as a defective democracy, meaning that it shows the main features of democracy, but it is still lacking in some

other aspects: in the case of Brazil, we know that the rule of law and equality and solidarity are scoring low. The graph below shows the score for Brazil since 2006, and shows that the good progress made in the 25 years of the MDG Agenda unfortunately stopped in 2015, the last year of our research, and there was actually a loss of democratic features for the country (while at the same time other indicators such as poverty, inequality and hunger were on the rise again):

Graph 75: Democracy Index Brazil



(Source: The Economist Intelligence Unit, 2018a)

If we look at the breakdown of the subdimensions as used by Morlino (2011), we can see that in terms of rule of law, Brazil obtains particularly low results in individual security and civil order, and security forces under civilian control (Morlino, 2016). Moreover, corruption takes a very high toll, as we have seen in the previous section, and has a very negative impact in the lives of the people.

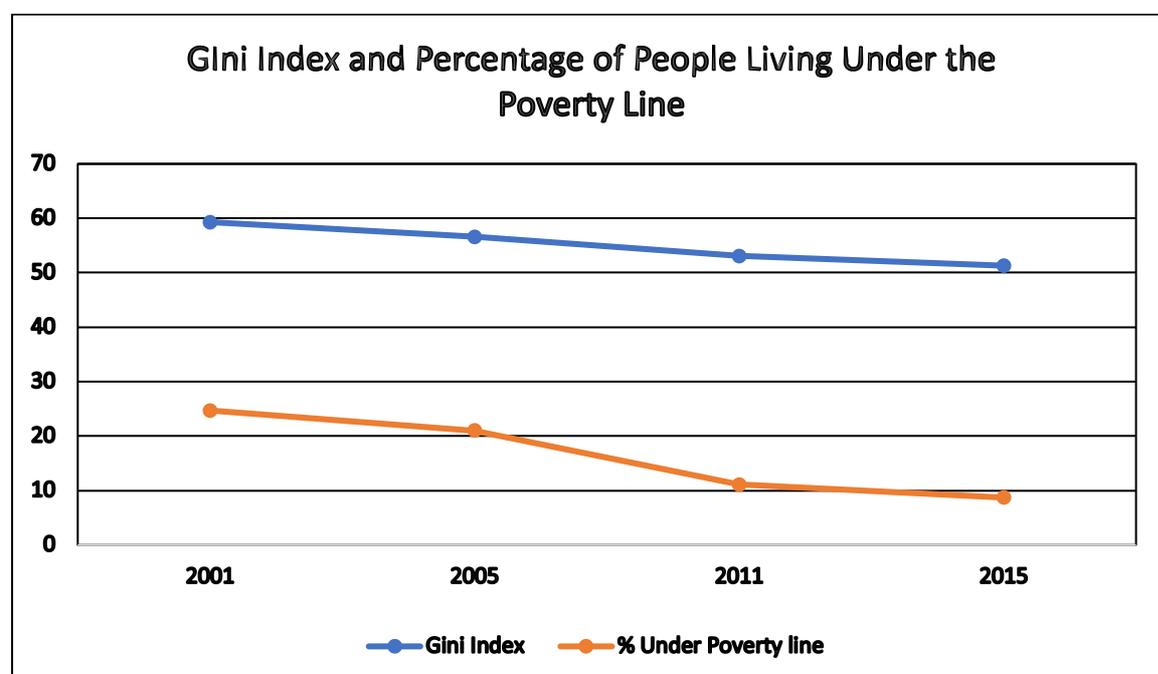
As this brief introductory section on the quality of democracy has shown, Brazil has been able to achieve very remarkable progress in the time span 1990-2015: its democratic features improved, but some of the dimensions of procedural democracy need to be improved, and inequality can pose a very severe threat (in Brazil for example, the most disadvantaged groups are victims of violence; black people are more at risk of being killed in acts of violence and as a result of crime and theft).

#### 4.7 Poverty, inequality and Quality of Democracy: Data analysis

After reviewing the success of Brazil both in terms of achieving the MDGs, whose compliance greatly reduces inequality and increases the democratic nature of Brazil, and reviewing the democratic features of Brazilian democracy, as per the definition of quality democracy elaborated by Morlino (2011 and 2016), but also with the aid of other important organizations such as Freedom House, The Economist Intelligence Unit, and Latinobarometro, we can now try and conduct some data analysis of the relationship between poverty, inequality and democracy.

If first of all, we try and see how the relationship between poverty and inequality of income has evolved in the time span taken into account, we obtain the following graph:

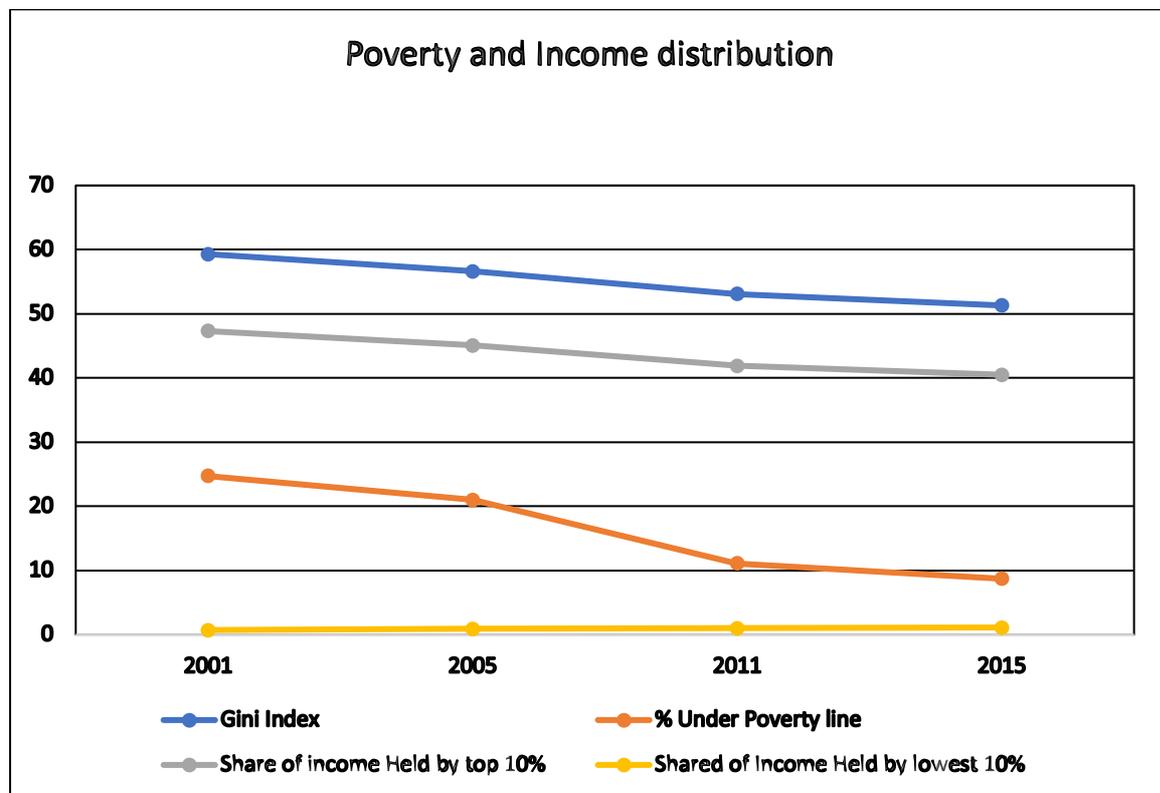
Graph 76: Gini Index and Percentage of People under poverty line -Brazil



(Source: Data from World Bank 2018)

When looking at this first graph, we have to bear in mind that while the research has considered the time span 1990-2015, the data analysis can only start from roughly 2000, as data constraint in the past was a serious issue that researchers had to deal with, but since 2000, as Sabina Alkire (2017) suggested, both the new technologies at disposal and the more frequent household surveys have allowed for better research and more data availability. As we can see from the evolution of poverty and the Gini index, while the percentage of people living under the poverty line fell significantly (from 24.7% in 2001 to 8.7% in 2015), the decrease in Gini did not fall as significantly, but only from 59.3% to 51.3%. As already partially explained, we can think that poverty was reduced thanks to all the measures that were implemented (such as the Social Programs like *Bolsa Familia* and *Brasil sem miseria*), but on the contrary, the Gini index did not improve as significantly (the situation did improve, but not as significantly as for poverty), possibly due to the fact that growth cascaded to the wealthiest segments of the society, as outlined by Thomas Piketty's Institute (Morgan, 2017), as the growth benefitted the highest segments of population.

Graph 77:Poverty and Income Distribution Brazil

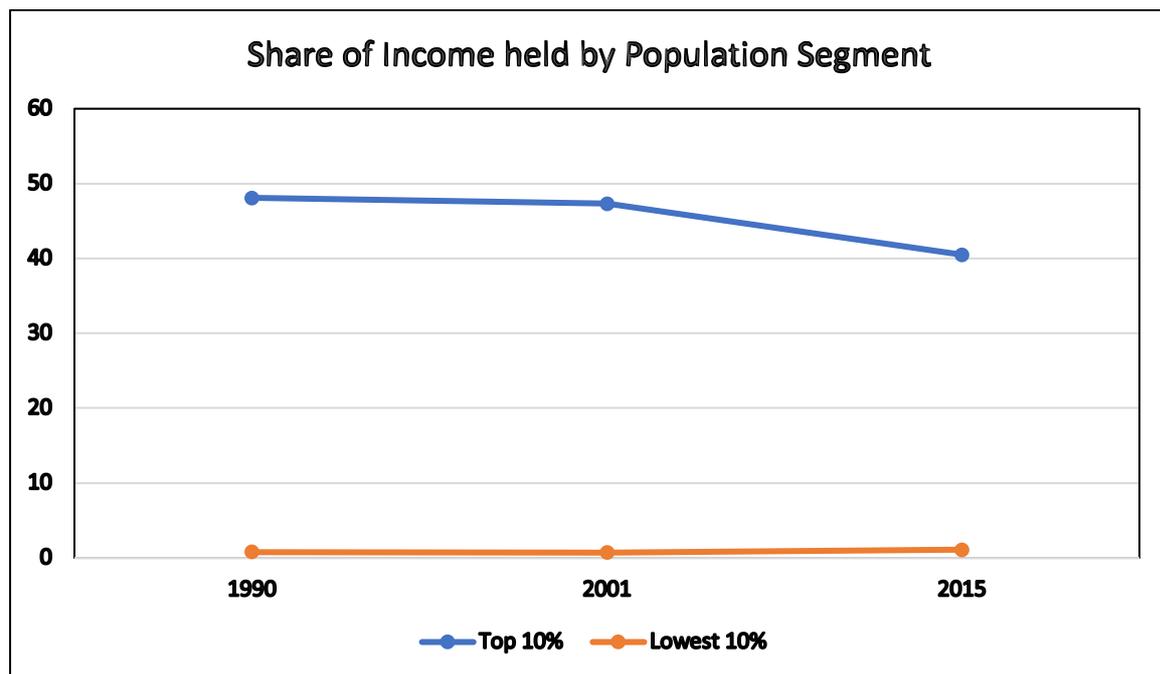


As we can see from this graph, while poverty decreased significantly, and the Gini index decreased a little bit, the share of income held by the top 10% followed the same pattern as the Gini Index, decreasing some (from 47.3% in 2001 to 40.5% in 2015), while the share of income held by the lowest 10% did not change significantly (from 0.7% to 1.1%), which seems to constitute the main problem, that the lowest 10% of the population is not growing significantly, but is actually stalling.

If we look at changes related only to the growth of the top 10% and lowest 10% from 1990 (in this case, data are available for the whole time span), we see that the pattern is consistent, while the income of the top 10% decreased (although not

significantly, from 48.1% in 1990 to 40.5% in 2015), the lowest 10% did not grow significantly (from 0.8% to 1.1% in 2015):

Graph 78: Share of income held by Population Segment -Brazil



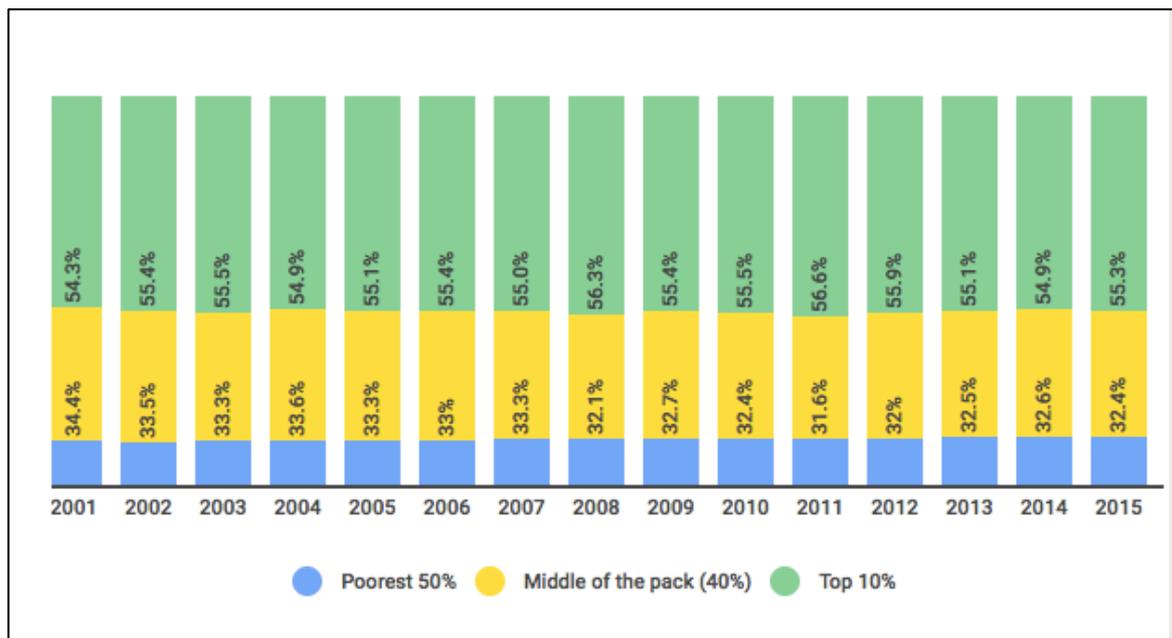
(Source: Data from World Bank, 2018)

As the graph above shows, while there has been a reduction of the share held by the top 10% (a little less than 8% in 25 years), the lowest segment is not growing (only 0.4% in 25 years): moreover, if we consider the changes in prices of commodities that took place over the last 25 years, we can understand that the increase is not significant, but there has actually been an intensification of the poverty faced by the lowest 10% of the population.

However, as data analysis is constrained by the way we analyze and measure things, as explained during Chapter 3 if we take the measurement by the World

Wealth and Income Organization, directed by Thomas Piketty, Morgan (2017) presents a very different situation, as outlined in the graph below (which is similar to the graph 15 in Chapter 3):

Graph 79: Income distribution Brazil

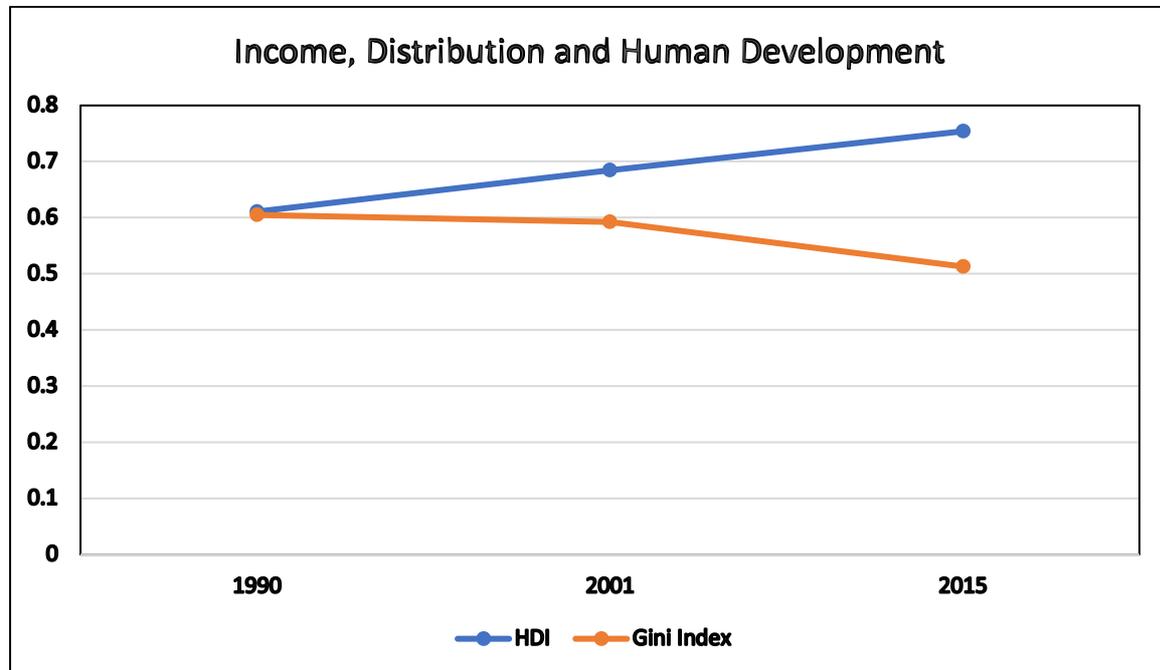


(Source: Morgan, 2017)

According to this graph, we can see that in the 15 years of globalization and market liberalization, the top 10% have substantially kept and increased their wealth by 1%, the bottom 50% have increased their share of income by only 1% (from 11.3% to 12.3%), while the middle class (the middle of the pack, the middle 40%) have seen their income share decrease by as much as 2% in 14 years.

If we now want to see how inequality of income and income distribution are faring in relation to human development and the human development index, we can look at the following graph:

Graph 80: Income, Distribution and HDI in Brazil

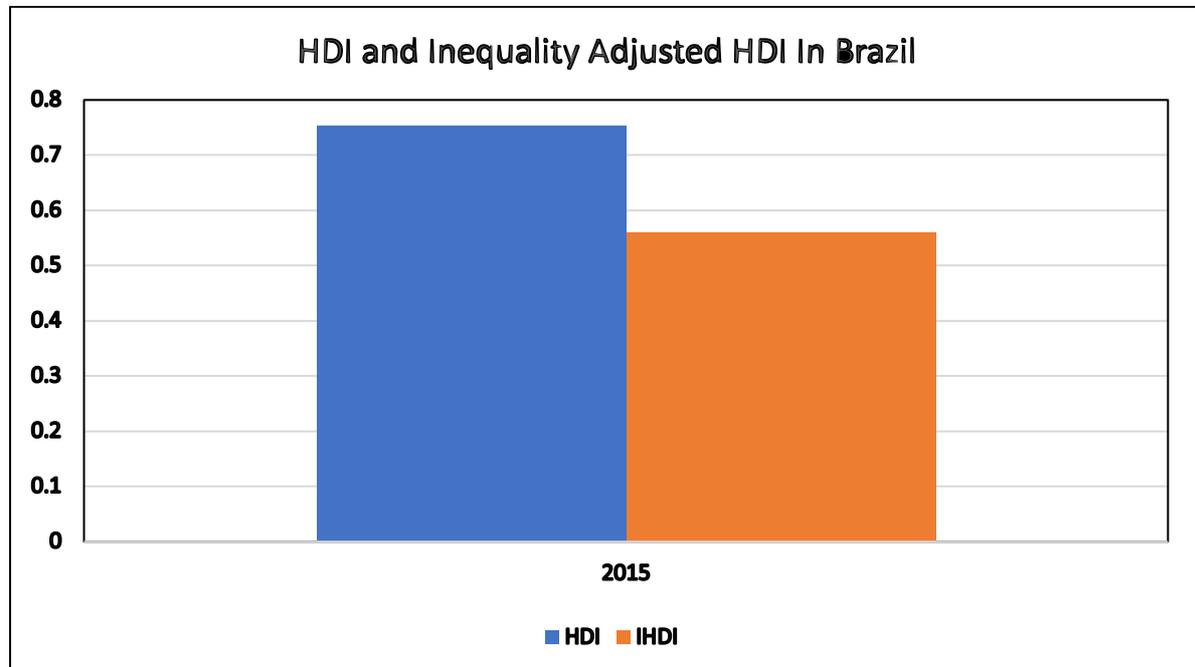


(Source: World Bank, 2018 and UNDP, 2017b)

In the graph above, we see how the HDI of Brazil increased over time, while the Gini index decreased consistently, showing that there seems to be an inverse correlation between income distribution and HDI.

Moreover, as we have mentioned already, it exists an HDI discounted for inequality. If we consider the inequality adjusted HDI, we can see that in 2015 (the latest year of our research is taken into account, as the inequality adjusted HDI was introduced in 2010), the scoring for human development for Brazil when discounted for inequality is much more contained, as the following graph shows:

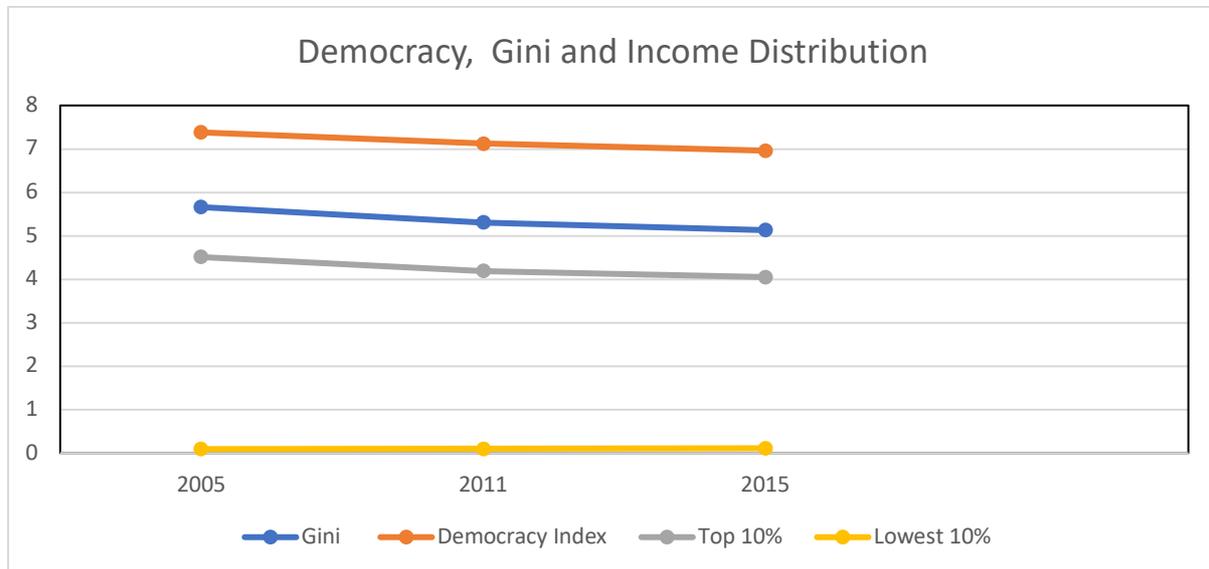
Graph 81: HDI and Inequality Adjusted HDI -Brazil 2015



(Source: Data from UNDP, 2017b)

Finally, if we look at the changes of Gini index in relationship to the Democracy index used by the Economist Intelligence unit, and the share of income owned by the top 10% and the lowest 10%, we can see that this relationship is not always linear; as a matter of fact, while the Gini (which signals income inequality) decreased in the 15 years taken into account, and the share of the top 10% decreased too, the democracy index as calculated by the Economist Intelligence Unit decreased too, showing that there might be no sustained correlation between a decrease in income inequality and democracy:

Graph 82: Democracy, Gini and Income Distribution Brazil

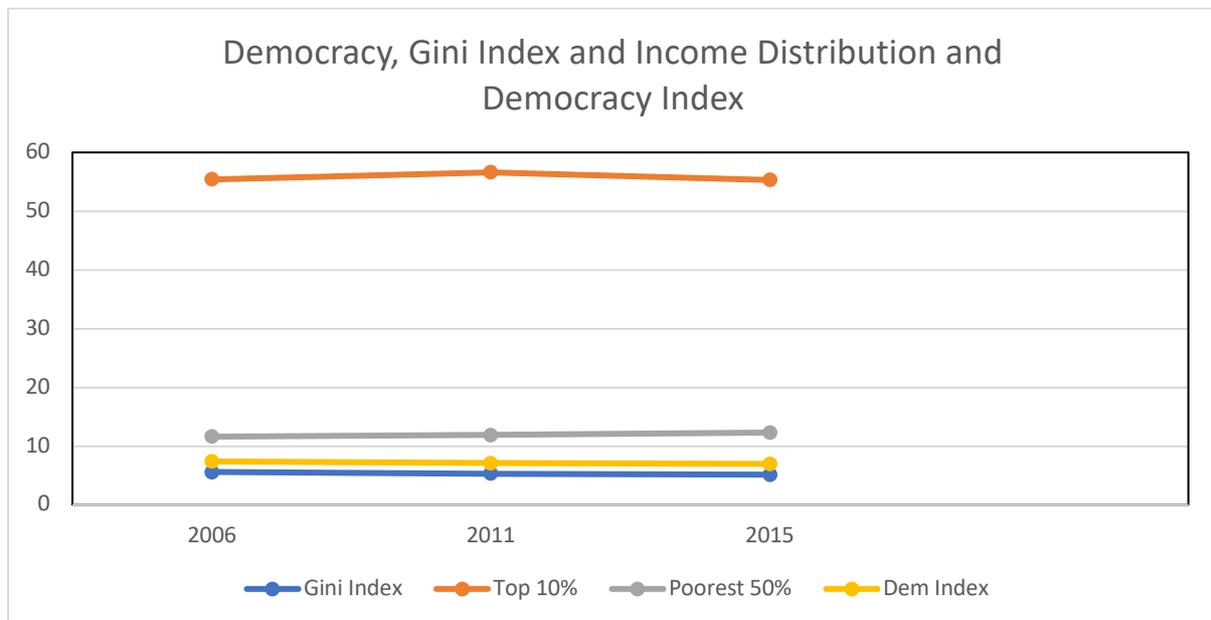


(Source: Data from World Bank, 2018 and Economist Intelligence Unit, 2018a)

The original hypothesis would be that a decrease in Gini index (income inequality) and a better distribution of income (difference between the top 10% and the lowest 10%) would be corresponded by a more democratic society, however, the democracy index as elaborated by the Economist Intelligence Unit would suggest that this is not true, as the democratic index for Brazil started to decrease in 2010 (with a significant improvement in 2014 and a collapse in 2015 and 2016). A possible explanation for this is that while the share of income owned by the top 10% has decreased slightly over 25 years, the share of income owned by the lowest 10% has basically remained very low, with the top 10% enjoying an income share 50 times higher than the lowest 10%.

If we instead use the measurement used by Piketty for his World Wealth Database (Morgan, 2017), and we compare the share owned by the top 10% with the poorest 50%, we see very different figures, with the top 10% enjoy an income share 5 times higher than the bottom 50%:

Graph 83: Democracy, Gini, Income and Democracy Index Brazil



(Source: Data from World Bank, 2018 and Morgan 2017)

As we can see from this graph, the share of income enjoyed by the top 10% stayed consistent in the last 10 years, while the poorest 50% grew slightly, and the democratic index of the country decreased, showing a possible correlation between distribution of income (the top 10% enjoyed a share of income 5 times higher than the poorest 50%, which would explain the lower democracy index).

If we follow the concept of quality democracy as identified by Morlino, and consider the five dimensions of Rule of Law, Electoral Accountability, Competition, Freedom and Participation, we can see that in 2012 (the year for which data are available from Morlino, 2016), an average score of 4.00 in the five dimensions was correlated to a Gini of 52.9%, while the income of the top 10% was 41 times higher than the income of the lowest 10%.

If we want to analyze how the relationship between inequality of income, human development and the quality of democracy, we can create a quality democracy index for the years 1998, 2005 and 2015, following the five dimensions identified by Morlino: Rule of Law, Electoral Accountability, Political Participation, Competition, and Freedom. For each of these dimensions we can identify the following sub-dimensions<sup>17</sup>:

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<sup>17</sup> The sub-dimensions chosen are a few of the ones that can be identified in a democracy: they were chosen according to data sources and data availability and are to be considered as not the only possible optionf to establish the quality of democracy.

Table 4: Quality of Democracy dimensions and subdimensions

<u>Dimensions</u>	<u>Sub-dimensions</u>
Rule of Law	
	Absence from Corruption
	Political Stability and Absence from Violence and Terrorism
	Judicial Independence
Electoral Accountability	
	Clean and Fair Elections
	Free Political Parties
Participation	
	Civil Society Participation
	Electoral participation
	Direct democracy
Competition	
	Competition among actors (Number of seats to opposition/total seats)
	Alternation (yes=1 no=0)
Freedom	
	Civil Liberties
	Access to Justice
	Human Freedom Index (Only 2008-2015)

We use data obtained from Idea International, the World Bank and the Cato Institute. Not all data are available for the all selections, but we can try and develop an index of quality of democracy for the years 1998, 2005 and 2015.

If we examine the rule of law dimensions, with its 3 sub-dimensions, we get a score as detailed below:

Table 5: Rule of law - Brazil

RULE OF LAW				
	Absence of Corruption	Political Stability and Absence from Violence and Terrorism	Judicial Independence	Total
1998	0.52	-0.3	0.55	0.77/4.25
2005	0.52	-0.3	0.64	0.86/4.25
2015	0.56	-0.3	0.62	0.88/4.25

(Source: Data from Idea International, 2018 and World Bank, 2018)

Absence of corruption is calculated from 0 being the worst score and 1 the best, Political stability and absence from violence and terrorism measures the likelihood of being subject to political instability of political violence and terrorism, with a range from -2.25 to 2.25, with -2.25 being the weakest and 2.25 the strongest, while judicial independence measures to what extent are the courts independent, with 0 being the lowest and 1 being the highest score possible. The highest result possible is 4.25.

Table 6: Electoral Accountability - Brazil

ELECTORAL ACCOUNTABILITY			
	Clean fair elections	Free political parties	Total
1998	0.87	0.81	1.68/2
2005	0.90	0.81	1.71/2
2015	0.88	0.68	1.56/2

(Source: Data from Idea International, 2018)

If we look at the dimension of Electoral accountability, the maximum score for this dimension is 2, clean and fair elections responds to the question to what extent are elections free from irregularities, and free political parties responds to the question to what extent are political parties free to form and campaign for office; in both cases, the range is 0 to 1, with 1 being the best possible score.

Table 7: Political Participation - Brazil

POLITICAL PARTICIPATION				
	Civil Society Participation	Electoral Participation	Direct Democracy	Total
1998	0.81	0.81	0.03	1.65/3
2005	0.78	0.79	0.26	1.83/3
2015	0.77	0.75	0.16	1.68/3

(Source: Data from Idea International, 2018)

The sub-dimension of political participation examines civil society participation, electoral participation and direct democracy, responding respectively to the questions to what extent do people participate in civil society organizations, and to what extent do people participate in national elections, to what extent are mechanisms of direct democracy available and used. Again, the range from 0 to 1 marks the lowest and best possible achievement.

Table 8: Political Competition - Brazil

POLITICAL COMPETITION			
	Competition among actors (number of seats to opp/total seats)	Alternation (no=0 yes=1)	Total
1998	63/594	1	1.10/1.50
2005	82/594	1	1.13/1.50
2015	64/594	1	1.10/1.50

(Source: Data from Idea International, 2018)

The dimension of political competition considers the number of seats assigned to the opposition over the total number of seats available, and whether there has been political alteration, with a reasonable expectation that this dimension cannot exceed 1.50.

Table 9: Freedom - Brazil

FREEDOM				
	Civil liberties	Access to Justice	Human Freedom Index	Total
1998	0.86	0.64	N/A	1.5/2
2005	0.87	0.63	N/A	1.5/2
2015	0.82	0.58	6.23	7.63/12

(Source: Data from Idea International, 2018 and Cato Institute, 2018)

The last dimension, the one of freedom is composed by civil liberties and access to justice, and for the year 2015, it also considers the Human Freedom Index, which was introduced in 2015 and has been calculated for the time span 2008-2015, which considers personal, civil and economic freedom. It ranges from 0 to 10, with 10 being the best possible score (Cato Institute, 2018). The civil liberties sub-dimension responds to the question to what extent are civil liberties respected (with indicators such as freedom of expression, freedom of association and assembly, freedom of religion, freedom of movement, and personal integrity and security), while access to justice responds to the question, to what extent is there equal, free access to justice (Idea International, 2018). Scores for both civil liberties and access to justice range from 0 to 1, with 0 being the worst and 1 being the best.

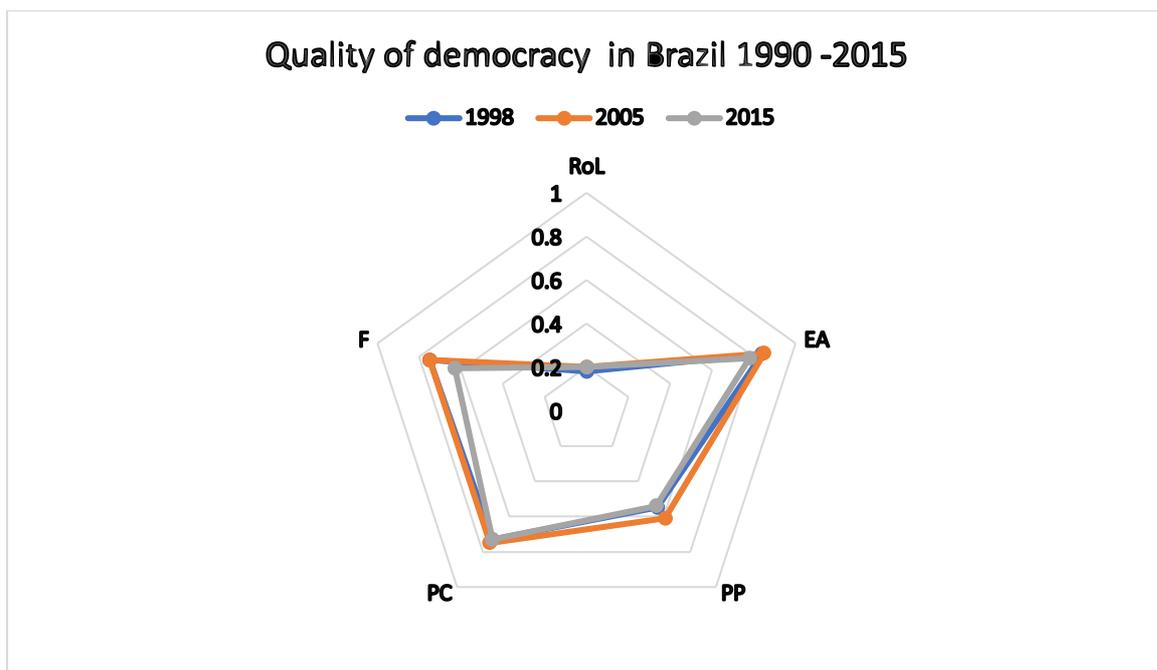
If we aggregate all the different results, we get a quality of democracy index as follows:

Table 10: Quality of democracy Index - Brazil

QUALITY OF DEMOCRACY						
	RoL	EA	PP	PC	FREEDOM	AVERAGE SCORE
1998	0.77/4.25	1.68/2	1.65/3	1.10/1.5	1.5/2	0.61
2005	0.86/4.25	1.71/2	1.83/3	1.13/1.5	1.5/2	0.63
2015	0.88/4.25	1.56/2	1.63/3	1.10/1.5	7.63/12	0.57

If we move this data that we have obtained by standardizing the various dimensions into a graphic radar, we can see the following graph:

Graph 84: Quality of democracy in Brazil 1990-2015



As the above calculation shows, there has been a deterioration of the quality of democracy in Brazil, which shows that in 2015, the country's quality of democracy was significantly lower than in 2005, with levels more similar to 1998, meaning that the country could have lost some 17 years of achievement in political development and progress. All the dimensions considered have substantially lost some of the achievement: Rule of law, which as we may recall was the dimension where Brazil was the weakest according to Morlino (2016), seems to be the only dimension which has managed to increase over the 25 years taken into account, from 0.77 to 0.88; Electoral Accountability, where Brazil fares particularly well as shown by Morlino (2016), has gone from 1.68 to 1.56 in the 17 years taken into account, political participation has stayed substantially the same (1.65 in 1998 to 1.68 in 2015, but seems to cancel out the good progress recorded in 2005, with a score of 1.83), in 2015, also Political competition seems to represent a situation more similar to 1998 than to 2005, with a weaker opposition, hence less political competition, and finally freedom as well seems to have lost, as if we exclude the Human Freedom Index, Brazil in 2015 registers a score of 1.4 against 1.5 of 1998 and 2005. Moreover, if we only analyze the Human Freedom Index as our proxy for the freedom dimension, we can see that there has been a substantially erosion of personal, civil and economic freedoms, as the graph below outlines:

Graph 85: Human Freedom Index in Brazil 2008-2015

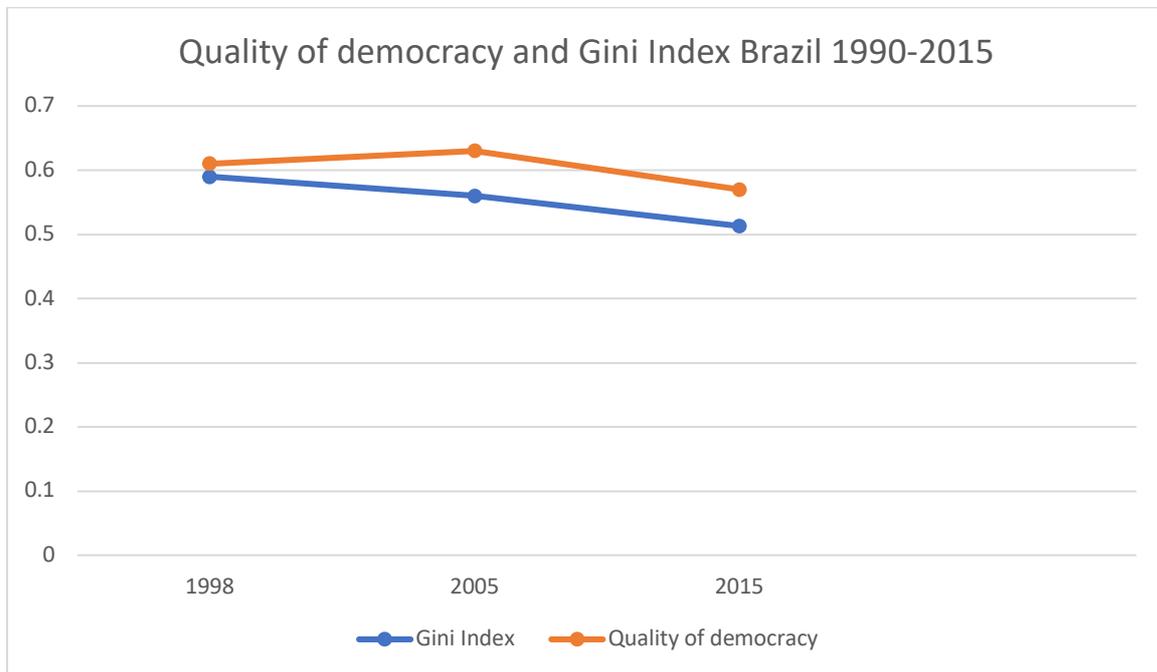


(Source: Data from Cato Institute, 2018)

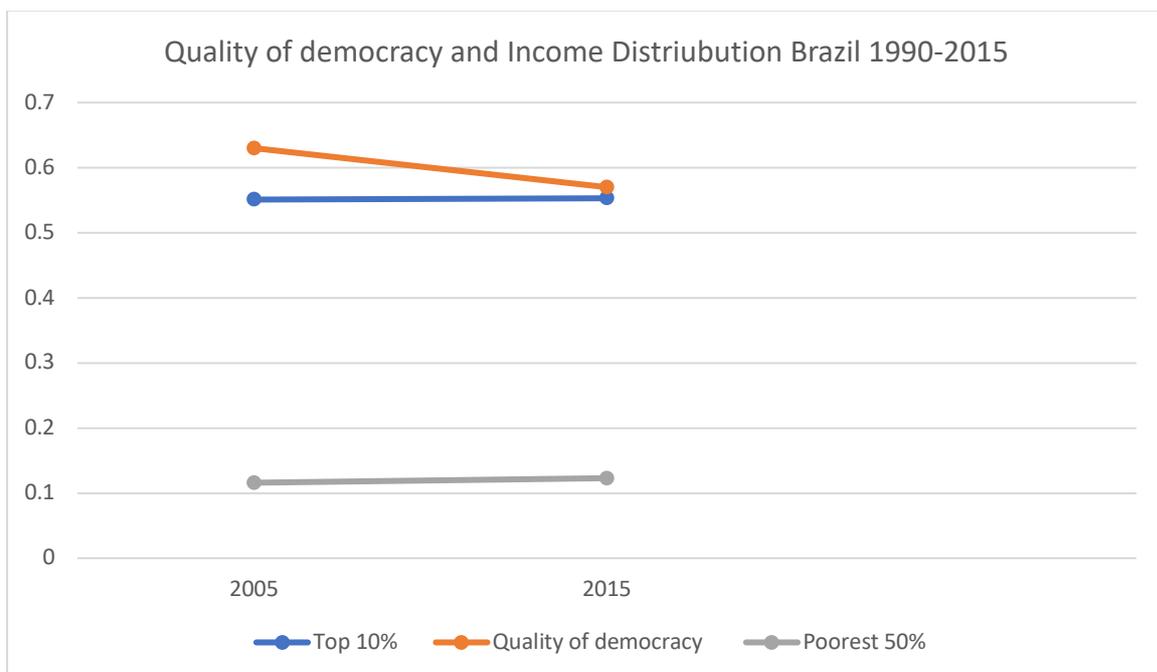
Such a deterioration of the quality of democracy, almost in all dimensions, is consistent with the analysis carried out by the Economist Intelligence Unit, which identifies a deterioration in democracy, and rather it partially differs from Freedom House, which instead identified a substantially progress of the country in the time span considered (data were available from 1998 to 2015), and recorded progress in freedom status, civil liberties and political rights.

If we now analyze the quality of democracy index that we have elaborated based on the procedures used by Morlino (2011 and 2016) with the indicators of income inequality such as Gini Index (data from the world Bank, 2018) and share of income as elaborated by Morgan (2017), we can see that based on how we measure inequality, we can assume different things:

Graph 86: Quality of democracy and Gini Index Brazil 1990-2015



Graph 87: Quality of democracy and Income Distribution Brazil 1990-2015



As we can see from these two graphs, is that research on the relationship between democracy and income inequality still needs more work, as one the one side we have a clear worsening of the quality of democracy (as shown by using the dimensions suggested by Morlino (2011 and 2016) and as argued by other organizations (in particular data from Idea International, 2018 and the Economist Intelligence Unit, 2018 are very strong in this sense) and on the other side we have conflicting information depending on how we measure inequality (Piketty's World Wealth data in 2017 and Oxfam, 2017, tell us that the gap between the top 10% and the rest of the population is widening, but the Gini Index is reduced in the last 25 years), although there seems to be a close relationship between the worsening of the quality of democracy and the widening of inequality at social and economic level.

## 4.8 Conclusions

This chapter has tried to show, complementing the third chapter which dealt with the progress of Brazil in terms of human development and its impact on social and income inequality, the complicated and not always easy to understand relationship between democracy, in particular the quality of a democracy, and inequality both at social and income level. However, the data analysis carried out has been difficult to conduct, as data availability is often a constraint in some regions of the world, plus data started to be widely available since 2000, both thanks to the new technologies and the MDG agenda, which gave new momentum to research into human development.

What appears clear from research into the impact of inequality on the quality of democracy is that there is a general worsening of the quality of democracy in Brazil in the time span 1990-2015 (although the first available year of our analysis is 1998, due to data constraint), while income inequality (measured with the Gini Index) decreased; while if we use data from Piketty's World Wide Database (Morgan, 2017) and data from Oxfam International (2017), we have the general idea that there is a general worsening of inequality in Brazil, which goes together with a worsening of the quality of democracy. Moreover, we see that the lowest 10% of the population did not grow significantly in the 25 years taken into account (World Bank, 2018) while the rich substantially kept their wealth untouched (Morgan in 2017 argues that since 2001, the top 10% has actually grown 1%).



## PART III: ARGENTINA



5 ARGENTINA: POVERTY, INEQUALITY AND DEMOCRACY (1990-2015)



## 5.1 Introduction

During the course of this section on Argentina, I will present the situation of the country, one of most populous country of Latin America, and conduct statistical and qualitative analysis on the relationship between inequality and democracy.

Argentina experienced one of the most violent dictatorships in the region, from 1976 to 1983, although violence and forced disappearances were already in place before and endured for some time after the regime. The dictatorship years in Argentina were among some of the darkest times in humankind: the forced disappearances in the country, along with the ones in Pinochet's Chile, became worldly notorious and marked one of the darkest episodes in human history. Argentina's path to democracy therefore is particularly relevant and can offer some important insight and valuable lessons.

The country is one of the most populous in the region: as a matter of fact, Argentina ranks third in South America, and is the thirty-third most populous country in the world. Its social and political relevance is therefore also justified by its population figures, as every measure to battle poverty, inequality and improve its democratic features has an impact on a large portion of the population in South America: 40 million inhabitants, according to the 2010 census.

Argentina ranks among the countries with very high human development, with its 0.827 HDI score in 2015, below the average of the countries with very high human development but above all other South American countries. Argentina experienced significant progress in the time span 1990-2015 in all indicators selected, with increase in the average life expectancy, in the years of schooling, in the national GNI as well as other indicators of well-being, as we will see throughout this chapter. This is particularly relevant in the light of its difficult path: the country,

like Brazil and Chile, has been able to overcome a very bloody and difficult political and social past, marked by a long dictatorship, and became unfortunately notorious for its *desaparecidos*, and although its democratic path has not always been very linear, and it has actually been marked by political and economic instability, Argentina has recorded remarkable progress in human development, in democratic stability, and such progress is worthwhile studying and analyzing.

The country experienced severe economic and political crisis at the end of the 1990s which culminated in collapse in 2002: in the four-year-span from 1999 to 2002, its GDP fell by over 20 percentage point (Fernandez Valdovinos, 2005). Right after the collapse of 2002, Argentina suffered profoundly in both economic and human terms. Poverty rates in urban areas skyrocketed, as well as income inequality, which had already been experiencing a steep increase. Yet, over the course of the next 10 years, the country showed very strong resilience, and it was able to improve its economic conditions and managed to rank among the countries with very high human development.

Despite this significant progress, many challenges have characterized Argentina's path to development and democracy in the time span 1990-2015: the country is still facing severe problems, such as a very high rate of unemployment, its democratic path has often been difficult, with many corruption scandals attributed to the Kirchner family, who ruled the country in a very monopolistic way for 12 years, from 2003 to 2015, and 30% of the population living below the poverty line. In 2016, the country elected a new president, President Macri, but despite the change in leadership after more than a decade of monopolistic ruling, problems and opposition have aroused nonetheless, with a strong clash in particular with trade unions (Santander, 2017); moreover, concerns about human rights violations by the

Government have resurfaced, with the disappearance of Santiago Maldonado, a young protestor who was later found dead. The disappearance of the young activist brought about international claims by many Human Rights agencies such as Amnesty International and a prolonged effort by the UN Committee on Enforced Disappearances, and many activists fear a resurgence of the past, with forced disappearances of those whose voices are not aligned with the government.

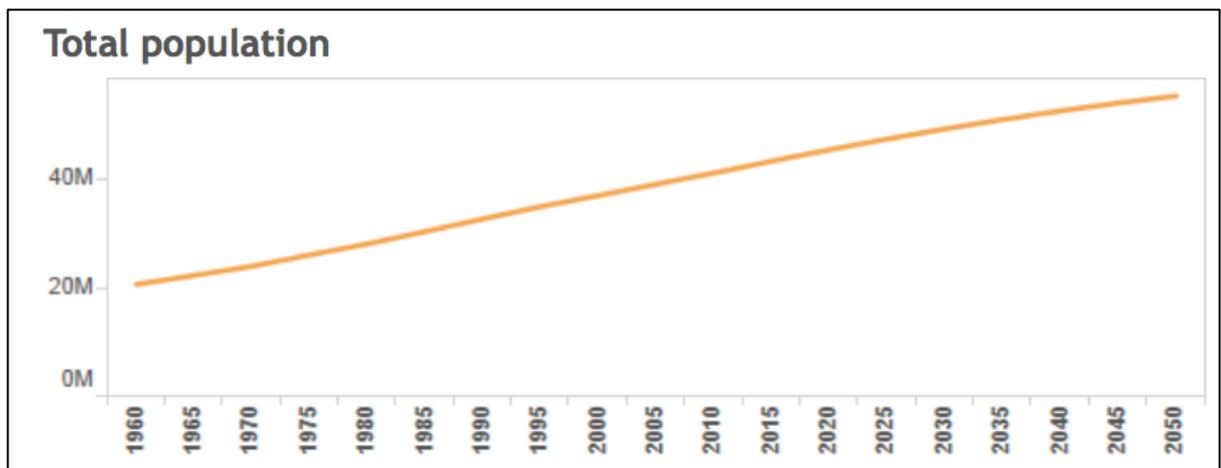
This chapter will review progress over the time span 1990-2015, which is so pivotal for Argentina as well, as for the whole LAC region, because it marks the steady progress of the whole region over the democratic path, after a very dark past characterized by one of the most tragic dictatorships in the world. The second part of the chapter will explore the relationship between inequality and democracy, while at the same time monitoring poverty as well, to see how the quality of democracy has impacted inequality, and how inequality, in its turn, has impacted the quality of a democracy.

## 5.2 Population growth in Argentina 1990-2050

In this section, I will present demographic changes in Argentina through the years 1990-2015, with projections for the year 2050. As for Brazil, I will focus on the changes every 10-15 years, outlining therefore changes for the years 1990, 2000, 2015 and projections for the year 2050. A more detailed analysis every five years has been conducted for the whole LAC region in the third chapter; comparing population changes every 10 or 15 years allows to picture in a better way demographic changes over time, such as population increase, change of the pyramid structure, changes in fertility rate and mortality rate, and changes in life expectancy.

As mentioned in the beginning of the chapter, Argentina is a very important country among the LAC countries it is the third most populous country in the region, after Brazil and Mexico: its population amounts to more than 43 million in 2015, about one fifth of the Brazilian population. If we look at the population increase over the time span 1990-2015, we see an increase of about 10 million people in the 25 years taken into account, from 32,729,740 to 43,416,755 people in 2015. Projections for the year 2050, according to the World Bank (2017e) forecast a population of a little over 55 million people, with a stagnant pyramid shape, in line with all other developed countries. The following graph outlines population growth over a century in Argentina:

Graph 88: Total Population Argentina

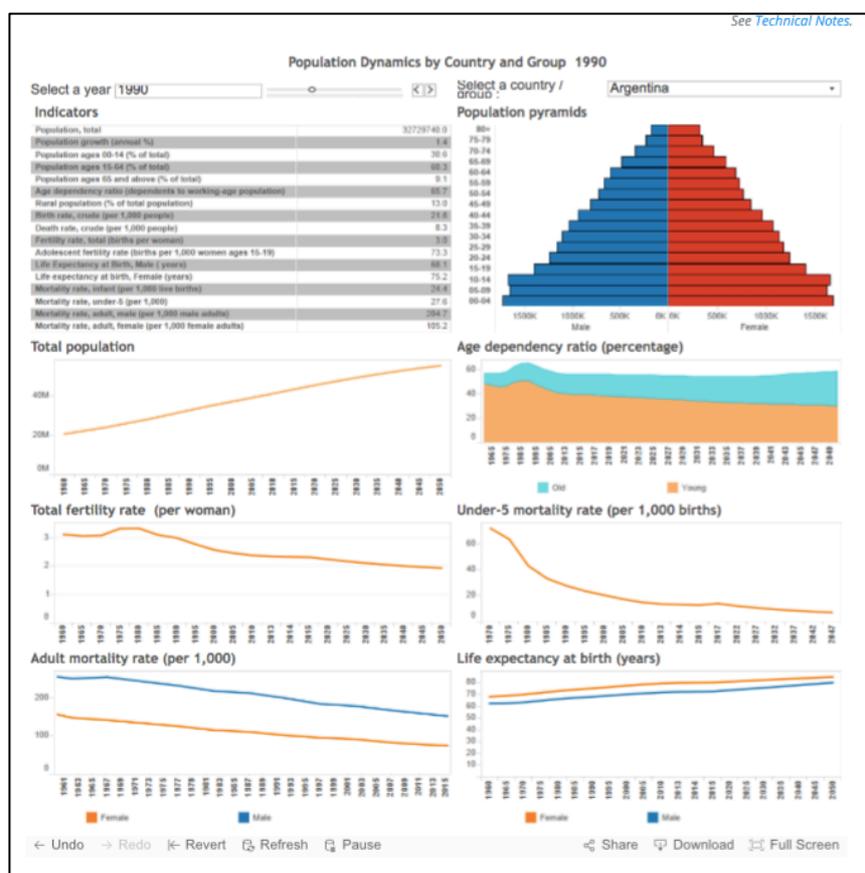


(Source: World Bank, 2017e)

As we can see from the graph above, the total population of Argentina grew significantly over the time span taken into account, mainly due to the changes in development, better human development, better life expectancy as well as a more stable government, finally out of the dark years of the dictatorship.

When we take a closer look at the population pyramids for the years taken into account, changes appear to materialize. If we start by looking at the population pyramid for the year 1990, we can see that the population pyramid has the typical shape of a pyramid, that characterizes countries not yet fully developed: the pyramid shape reduces as it progresses, meaning that fertility rate is still high, as well as mortality and life expectancy is not very high. We can see in the following graph the population pyramid for the year 1990:

Graph 89: Argentina's Population 1990

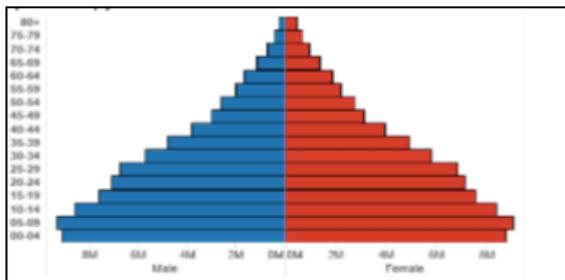


(Source: World Bank, 2017e)

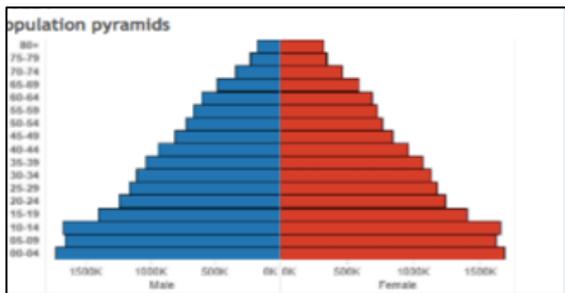
The shape is still larger at the base, meaning that the majority of the population is still young, and it decreases as age progresses. Yet, if compared to the pyramid of Brazil for the same year, we see that Brazil's pyramid is much narrower than the one for Argentina, a sign that might be due to the higher human development of Argentina with respect to Brazil. Also, with respect to the pyramid of the whole LAC, Argentina's pyramid shape is less steep and narrow than LAC as well, possibly reflecting as already mentioned the higher level of human development of the country.

The next graph highlights respectively the population pyramids for Brazil, Argentina and the LAC region, according to the World Bank population dashboards (2017):

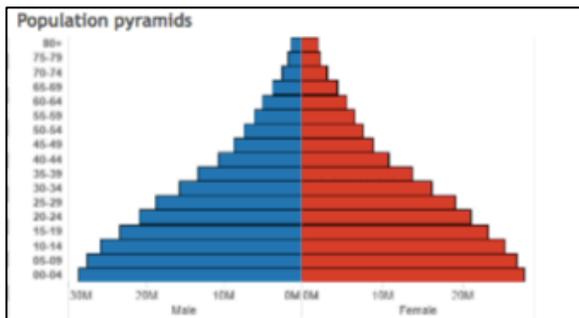
Graph 90: Population for Brazil, Argentina and LAC



Brazil



Argentina



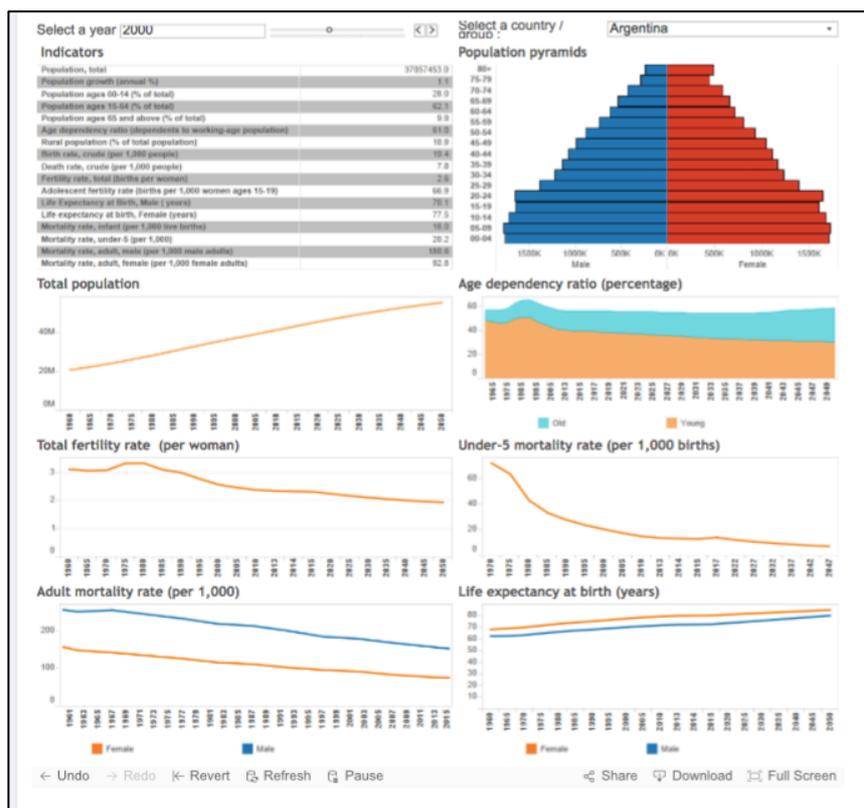
LAC

As can be clearly seen, already in 1990, the pyramid of Argentina is very different from the pyramid of Brazil and of the LAC region as a whole, because Argentina's pyramid is more similar to a square, meaning that the process typical of an aging population had already started. The total population of Argentina for the year 1990 amounts to 32,729,740 people (which accounts for less than 10% of the total LAC population, about 446 million people) with an annual increase of 1.4%, which is below the rate for the LAC region (1.9%) and below Brazil (1.7%). The majority of the population is in the age span 15-64 (60.3%, in line with both Brazil's and LAC's figures), and the rural population is very low, 13% (against LAC figure of 29.5% and Brazil's of 26.1%), which already tells us that the process of development typical of the developed Western countries had started in Argentina well before other countries, even before the most populous country, Brazil). This possibly explains the higher level of development that characterizes Argentina, as the country started the process of development earlier than the others. Yet, this also has important implications for other factors, which we will later find in the chapter, such as poverty and crime. As a matter of fact, people living in rural areas are often more vulnerable to poverty, but on the other hand, societies where people live prevalently in urban areas are more subject to crime and violence. The crude birth rate (per 1,000 people) is 21.8 (below both Brazil's 24.3 and LAC's 26.6), while the crude death rate (per 1,000 people) is 8.3 (above Brazil's 7.2 and LAC's 6.9). The fertility rate per woman is 3.0 (above Brazil's 2.8 and below LAC's 3.2), and the mortality rate per infant (per 1,000 live births) is 24.4, significantly lower than Brazil's 50.9 and LAC's 43), while the mortality rate for children under the age of 5 is 27.6 (again, significantly lower than Brazil's 60.8 and LAC 54.3). These data by themselves are a good enough reason to explain already the difference in the pyramid shape of 1990.

If then one takes into account the much higher life expectancy at birth of Argentina (68.1 for men and 75.2 for women, against 61.7 and 69.2 for women in Brazil, with a similar difference with respect to LAC's figures as well), the different pyramid shape is well explained, which also explains how Argentina was able to have the highest level of development among the South American countries, as it was already faring significantly better in key elements such as infant's and children's mortality rates and life expectancy at birth.

Changes in the 2000 population pyramid are prominent, as highlighted in the next graph:

Graph 91: Argentina's Population 2000

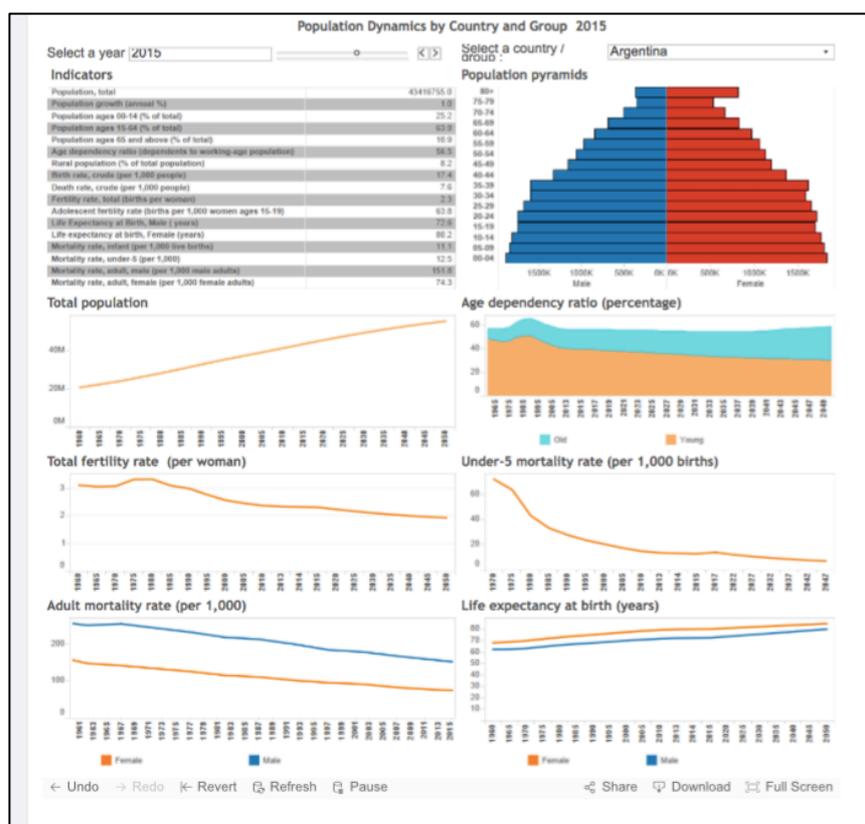


(Source: World Bank, 2017e)

In 10 years, the population has increased by almost 5 million, to 37,057,453 million people (less than 10% of the 526 million people living in LAC), and the annual increase for the population is now down to 1.1% (1.5% for Brazil), with a significant slowdown, in line with developed countries, and with Brazil and LAC's figures. The majority of the population is still in the time span 15-64 (62.1%, with an increase by almost 2 percentage points since 1990, a sign of an aging population). The rural population has decreased by almost 3%, down to 10.9%, which can further stress the situation of urban areas and increase violence and crime. The crude birth rate (per 1,000 people) is 19.4 (almost down by 2 points in 10 years, and below Brazil's 20.9 and LAC's 22.5), while the crude death rate is 7.8 (substantially stable with respect to 10 years before, and higher than Brazil's 6.0 and LAC's 5.9). The fertility rate for women is down to 2.6 (close to Brazil's 2.4 and in line with LAC's 2.6) and the mortality rate among infants is 18.0 (6.4 lower than 10 years before, and much lower than Brazil's 28.1 and LAC's 26.6 every 1000 live births). The mortality for children under the age of 5 is 20.2 (decreasing by 7 points since 1990, and lower than Brazil's 32.0 and LAC's 32.0). The average life expectancy at birth is 70.1 for men and 77.5 for women, improving from 1990 and faring much better than Brazil (66.3 and 74 for Brazil, while LAC's life expectancy at birth is 68.3 for men and 74.9 for women).

The population pyramid for the year 2015 shows further changes, as highlighted in the following graph:

Graph 92: Argentina's Population 2015



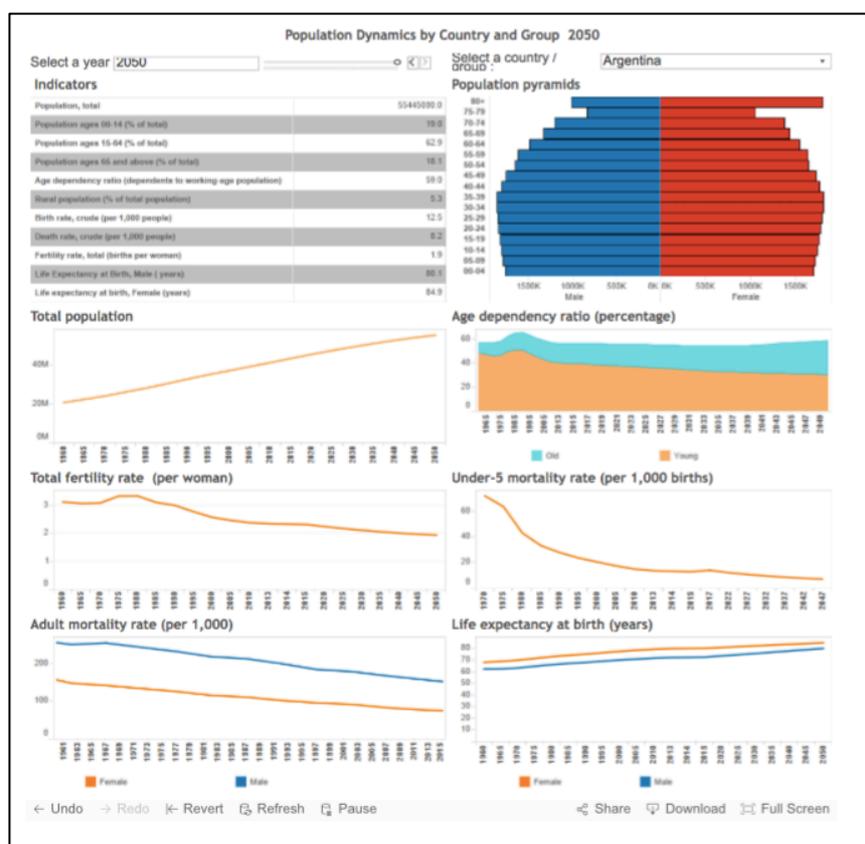
(Source: World Bank, 2017e)

What clearly appears from the last population period for the time span taken into account, is that the pyramid has lost its typical shape and is now more similar to the stagnant shape typical of the developed countries, with an aging population. The changes for Argentina are more marked than for Brazil and the LAC region, as there is a higher percentage of older people in Argentina, both a result of the lower mortality rate and the higher life expectancy. The total population is now 43,416,755, roughly about 7% of the total LAC population (633 million in 2015). The annual growth rate is down to 1.0% (higher than Brazil's 0.9% and lower than LAC's 1.1%). The majority of the population is in the age span 15-64 (63.9%, an increase by 1 percentage point since 2000), but lower than Brazil's 69.1% and LAC's 67%, and the

rural population is now down to 8.2%, decreasing further. The crude birth rate is 17.4, decreasing further with respect to 2000, but higher than Brazil (14.5) and in line with LAC figures (17.1), while the crude death rate is 7.6 (substantially unchanged since 2000) and a bit above Brazil's 6.2 and LAC's 5.9. The fertility rate is now 2.3, decreasing further, but above Brazil's 1.8 and LAC's 2.1. The infant mortality rate is now 11.1 (reduced by more than half if compared to 1990, and well below Brazil's 14.6 and LAC's 17.1 every 1000 live births) and the mortality rate for children under the age of 5 is 12.5 (less than half of what it was in 1990 and below Brazil's 16.4 and LAC's 18.0). Finally, life expectancy at birth is 72.6 for men and 80.2 for women, improving about 4 years for both genders since 1990, and above Brazil's 71.0 and 78.5. Although this life expectancy is significantly lower than countries such as Italy and Japan, Argentina has been one of the most successful countries in improving life expectancy almost to the levels of the United States (76.4 for men and 81.2 for women).

If we look at the forecasted population for the year 2050, we can see very remarked changes:

Graph 93: Argentina's Population 2050



(Source: World Bank, 2017e)

As can be seen by the forecasted pyramid for the year 2050, the pyramid has lost its typical shape and now has the shape of a stagnant pyramid, similar to the one of the United States. This shows an aging population and a less pronounced fertility rate. The forecasted population is around 55 million (out of the forecasted 782 million of LAC, about 7%). No population growth rate is available. The majority of the population is in the age span 15-64 (62.9%, just one percentage point less than 2015, and basically consistent with what we have seen for the time span 1990-2015, and in line with LAC's expected figure of 63.4%). The rural population is forecasted to decrease even further, to 5.3%, almost by 3 percentage points (and almost one

third of what it was in 1990). The crude birth rate per every 1,000 people is forecasted at 12.5 (above Brazil's 9.6 and LAC's average of 11.0) while the crude birth rate is forecasted at 8.2 (below Brazil's and LAC's figures). The fertility rate is 1.9 (almost half of what it was in 1990), a little above Brazil's and LAC's figures, while there is no forecast for mortality rate for infants and children. Life expectancy at birth is set at 80.1 and 84.9, in line with the forecast both for LAC and Brazil.

As we have seen in this brief population analysis, changes have been marked and consistent in Argentina in the time span 1990-2015. Unlike Brazil and LAC, Argentina already started off very successfully, with low mortality rates and high life expectancy, which explain its high level of Human Development. Nevertheless, in the time span taken into account, Argentina was able to improve its already good records. Yet, some challenges have surfaced as a consequence: an aging population and a stagnant pyramid shape will entail several problems, such as a health care system able to handle the growing demand, pension contributions, lower fertility rate with possibly the need to open up programs for immigrants. Older women in particular will constitute the majority of the population segment, so new retirement schemes will have to be planned as women usually retire earlier than men but live longer. Also, when dealing with inequality, women might be at more risk of incurring into it, as research shows that women are often paid less than men while being more educated, they are often discriminated, and can fall easily prey to violence and abuse. All these population changes will have to be taken into account, when designing new policies for employment, inequality, economic growth, health care, retirement and education. What is clear is that over the time period 1990-2015, Argentina was able to record impressive progress, especially if one takes into account that its democratic government was very young, and during the time span

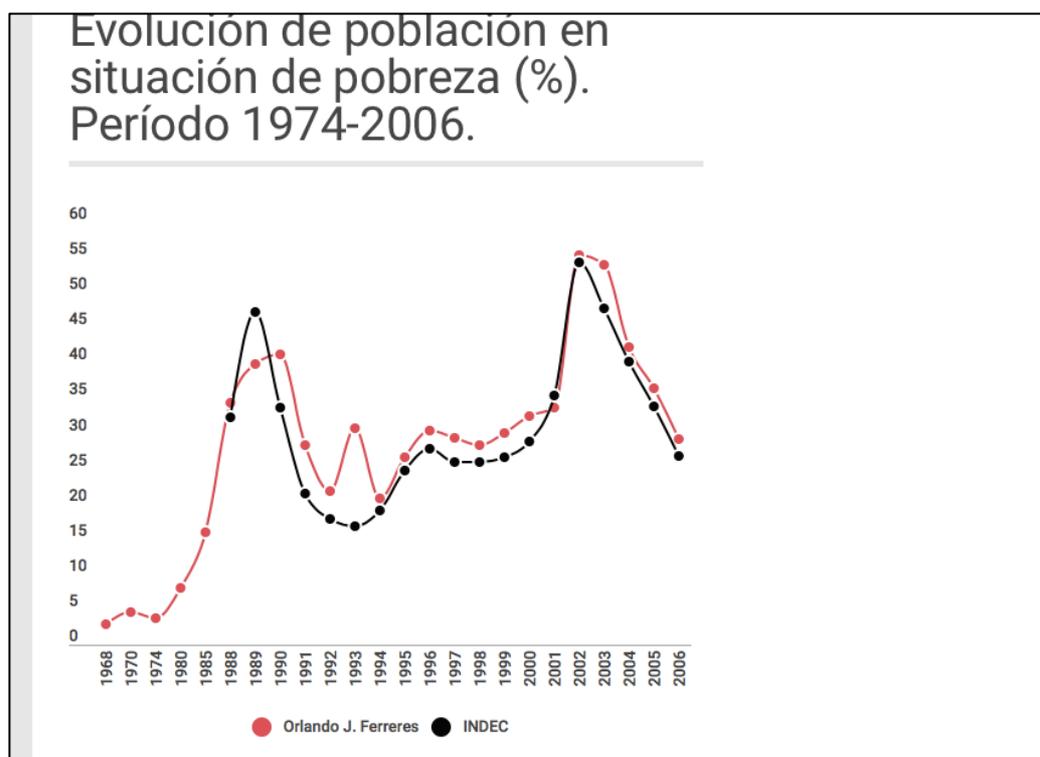
taken into account, the country suffered one of the worst economic crisis ever experienced.

### **5.3 Monetary and Multidimensional Poverty**

Talking about monetary poverty in Argentina, and trying to determine whether the country was able to fulfill goal number 1 of the Millennium Development Goals, to halve poverty by 2015, is not an easy task, due to both the difficult economic conditions that the country underwent in the time span 1990-2015 (in particular the economic crisis of 2001-2002, and then again the impact that the global financial crisis of 2008 had on the country), but also due to the manipulation of statistics and the cessation of official data on poverty by the Official Institute of Statistics (INDEC) in 2013, under Cristina de Kirchner's government.

As the MDG 1 for Argentina entailed reducing poverty rates below 20%, it is possible to say that Argentina, in spite of its complicated history throughout the years, was however able to reach that goal. In a brief review of poverty rates in the time span 1990-2015, under the different presidents, we see great variation, although a difficult situation remains. In 2016, after 3 years without official data, and under the presidency of Mauricio Macri, INDEC reported that 32,2% of the population was poor. According to Di Santi and Slipczuk (2016) in 1989, 38,3% of the households were poor, while as far as the percentage of poor people, the figures were about 41,3%, at the end of President Alfonsín's mandate. According to CEPED (The Argentinian Center for Population, Employment and Development), this was mainly due to hyperinflation, but also to the deteriorating conditions of the job market, which had started to deteriorate already during the 1970s. The graph below outlines the evolution of poverty in the time span 1974-2006 according to two different sources, Orlando J. Ferreres and INDEC:

Graph 94: Argentina – Poverty Evolution 1974-2006

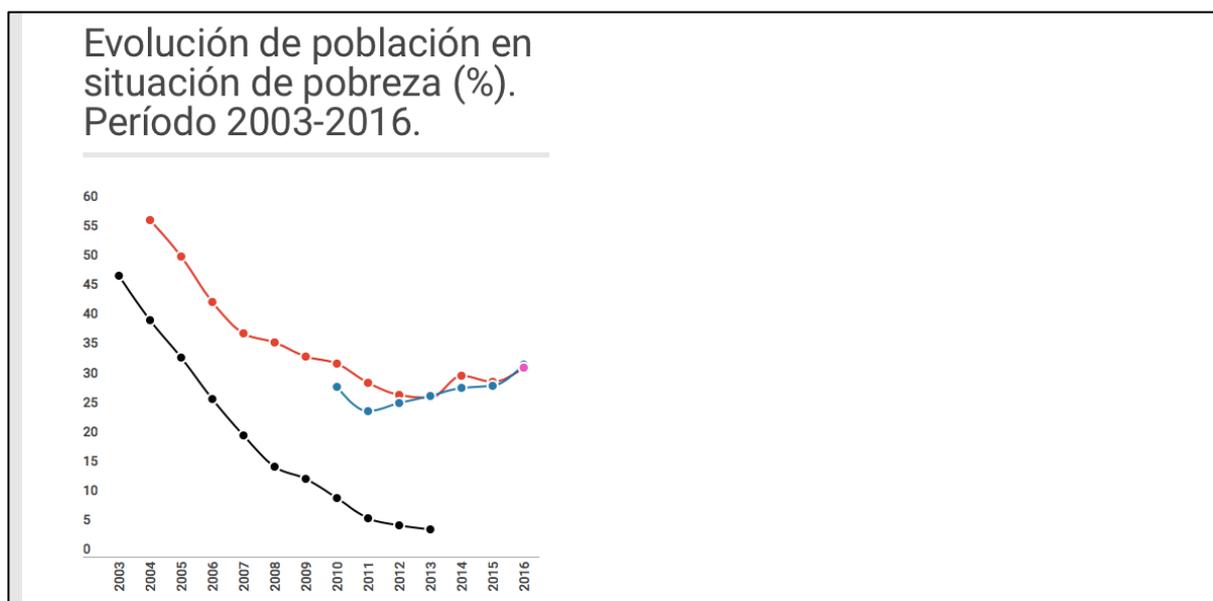


(Source: Di Santi and Slipczuk, 2016)

According to INDEC (Di Santi and Slipczuk, 2016) Menem was able to reduce poverty rates. In 1989, poverty rates in the Gran Buenos Aires area were as high as 47.3%, while in May 1995, when Menem was running for his second term, they had decreased to 22.2%; this significant reduction was mainly due to the control of inflation. Yet, unfortunately during Menem’s second term of Presidency, poverty rates rose again: in 1999, poverty affected 26.7% of the population (Di Santi and Slipczuk, 2016); this new increase was mainly due to a weakening of real returns and to a worsening of distribution of resources; in particular, this wrong distribution of resources was the reason for the worsening of poverty rates up to the 2000s, a CEPAL report argues (Di Santi and Slipczuk, 2016). From the year 2000, poverty rates in Argentina skyrocketed, from 35.4% in 2001 under President de La Rúa, to

49.7% in 2002 after the change of three presidents in a week, under President Duhalde. In 2003, when Nestor Kirchner assumed power, poverty rates had reached 51.7% in the Gran Buenos Aires area, but Kirchner was able to reduce poverty rates to 26,9% in 2007 (Di Santi and Slipczuk, 2016). From 2007 onwards, due to the manipulation of statistics perpetrated under the presidency of Cristina de Kirchner, INDEC can no longer offer valuable data, and from 2013, it stopped elaborating data on poverty. According to the CIFRA center (Center for Research and Training of Argentina) Cristina de Kirchner managed to reduce poverty to 29.6% at the end of her first mandate, while during her second term data are conflicting: CIFRA argues that the level of poverty stayed basically the same, about 29%, while ODSA-UCA (The Observatory for Social Debt of the Catholic University) argues that it increased from 24 to 29% (Di Santi and Slipczuk):

Graph 95: Argentina -Poverty evolution 2003-2016



(Source: Di Santi and Slipczuk, 2016)

The analysis of poverty levels conducted above shows the difficulty that the country endured, both at economical and political level, which seriously strained its condition and poverty levels, and made Goal Number 1 of the MDGs very difficult to attain.

Yet, in 2014, FAO acknowledged Argentina for reaching goal number 1, both for hunger, and poverty. According to FAO, in the last years, the country was able to reduce the level of poverty to 5% and extreme poverty at 1, 27% (Telam, 2015).

Other authors, in earlier works (Fernandez Valdovinos, 2005) have remarked that Argentina was one of the countries with the highest income in 1913, but endured economic strain during the course of the 20<sup>th</sup> century, mainly due to the Wars and the Recession. In the time span 1995-2000, according to Fernandez Valdovinos (2005) the country, which was once of the most prosperous of South America, diverged from the industrialized countries, and converged more towards the Latin America's countries, and recorded one of the slowest growth rates, similar only to Venezuela and Bolivia. Fernandez Valdovinos (2005) argues that this is one of the greatest puzzles of the country, as nobody can explain why the growth rates have consistently slowed down over the last decades. High volatility seems to be a good economic explanation for the extreme low growth of the country. During the years right after the financial collapse of 2001-2002, not only poverty rates increased dramatically, but also the indigence rate more than doubled, going from 11.6% to 24.8% during the same period.

As far as multidimensional poverty is concerned, trying to conduct a thorough analysis on multidimensional poverty in Argentina is unfortunately not an easy task. Most likely due to the statistical manipulation that took place under the government of Cristina de Kirchner since 2007, and resulted in the unavailability of

data on poverty since 2013, the latest MPI available for Argentina dates back to 2005, 10 years earlier than our time span, when the last survey data were publically available (Brazil's latest MPI was from 2014).

As reported by the 2015 Human Development Report (UNDP, 2016), Argentina's MPI is 0.015, and 3.7% of the population (about 1,457,000 people) are multidimensionally poor, and additionally, 5.2% of the population live near multidimensional poverty (2,025,000 people), with a breadth of deprivation of 39.1%.

To end this brief section on multidimensional poverty, it is very difficult to try and conduct a thorough research, when there is such a big constraint of data availability, due to the political processes of the country. This is a good example of how democracy (or rather the lack of it) influences poverty and inequality. Without sound, reliable data, no real policy against poverty and inequality can be made, and not surprisingly, this impacts the poorest, most vulnerable populations, increasing the level of inequality, not only of outcomes (income) but also opportunities. If there are no real, sound data on poverty, at all levels, then it is not possible to implement sound economic reforms, at both national and international levels, and the poorest segments of the population are left without protection and without a chance to escape the poverty trap. In this sense, an unfit political regime such as Argentina experienced for almost a decade, can only increase the level of inequality, of both outcomes and opportunities.

## 5.4 Inequality

As it has been explained over the course of the previous section, it is difficult to talk about inequality in the time span taken into account, due to the manipulation of statistics that took place during the government of Cristina de Kirchner, since 2007 and with the unavailability of data on poverty from the Official Statistical Office since 2013. Yet, all data available suggest that inequality during the time span 1990-2015 rose, along with poverty. As reported by Fernandez Valdovinos (2005), by that time, poverty in Argentina increased even in times of economic expansion, which is exceptional in times of growth, and has never been seen at international level. This means, basically, that inequality of income rose while growth was happening in Argentina, which was very different from what usually happens in other countries. Fernandez Valdovinos (2005) argued in 2005 that research suggested several explanations for this rise in income inequality: an increase in the relative returns to higher education, a rise to return to unobservable factors (family origin, educational background, labor market connections and individual ability, increase in unemployment during the 1990s and changes of labor market participation since 1996, and increased integration into the global economy based on natural resources, which helped reduce the price of relative capital and introduced new skilled labor intensive technologies. Fernandez Valdovinos (2005) reports that the high increase in inequality might have impaired growth in Argentina: as a matter of fact, research suggests that inequality does hinder growth, but Fernandez Valdovinos (2005) argues that further research is necessary to explore the issue. Yet, as we have seen during the previous chapter for Brazil, substantive growth in the country was accompanied by a substantial reduction of inequality, all sources suggest (except Morgan, 2017, see chapter 3 for more information).

As a report by the think tank CEPA suggests, inequality in Argentina during the time span 2003-2015 decreased significantly; as a matter of fact, the gap between the first and 10<sup>th</sup> decile went from about 33% to 18,7%, as outlined in the graph below:

Graph 96: Argentina – Poverty Gap among top and bottom 10% 2003-2016



(Source: CEPA-INDEC)

Yet, as Wakefield (2016) reports, these data are suspect to have been manipulated, as they were provided by INDEC, the official statistical office, and as we know there was strong manipulation of data since 2007. According to the report presented by CEPA, on the basis of INDEC data, the Gini index in 2015 was 0.3856, showing a 12-year trend of decrease of income inequality. As already argued, these data do appear very suspect, especially because there is a steep increase from 2015 to 2016, with the government of President Macri, and the availability of non-manipulated data. Such a steep increase from one year to the next, coinciding with

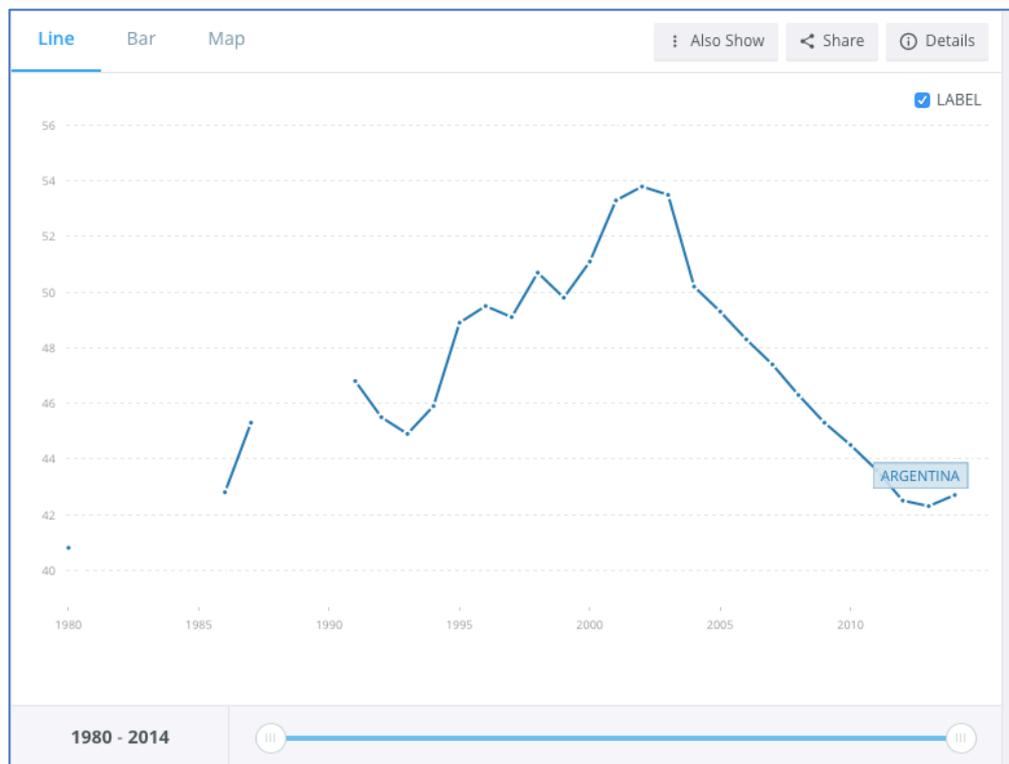
the change of President, might very well be due to manipulation of statistics rather than a sudden change in inequality in just one year.

A thorough work by Salvia and Rubio (2017) sheds some light over what happened in Argentina during the time span taken into account. As it has already been mentioned, such time span coincided with one of the worst economic crisis that any country was ever to endure. As Salvia and Rubio (2017) remark, Argentina had known a very glorious past, and represented an alternative to the general inequality that societies have always known in Latin America. Argentina was different, as during the 20<sup>th</sup> century, it had known rapid urbanization, full employment, universal healthcare and education, advanced intermediate industrialization and a very well articulated middle class. However, things changed during the end of the 20<sup>th</sup> century and throughout the beginning of the 21<sup>st</sup> century. Salvia and Rubio (2017) report that the country, under neoliberal structural reforms, did not manage to overcome underdevelopment, all due to economic liberalization, trade openness and financial flexibilization, which resulted in instability, unemployment, social marginality and poverty, and had severe repercussions on the educational, social protection and health care systems. Inequalities thus started to rise at a fast pace, and although there were a few years in which there seemed to be a strong economic growth, this did not last. As Salvia and Rubio (2017) remark, by 2015, the last year of our time span, Argentina had a stratified society, which included layers of marginalized, poor and excluded segments: about 30% of the population could be considered poor, 6% lived in extreme poverty, and some households knew extreme poverty and marginalization due to basic problems such as lack of running water and living in precarious dwellings. Moreover, the perception for Argentinians is that they live in one of the poorest and most discredited countries in the world, Salvia and Rubio

(2017) remark. The Argentinian society is quite heterogeneous: on top of the pyramid, a 3% is made up by elites, traditional families and the new bourgeoisie; below this elite, there is an upper middle class, made up of corporate directors and other productive segments of the society, which together with the elite, make up a third of the society, and are strongly integrated with the Western societies, have high levels of education, consumption patterns and living standards (Salvia and Rubio, 2017). Another third of the society constitutes a lower middle class, made up of skilled and semi-skilled workers, pensioners, small establishments, who have stable incomes and live above the poverty line, but are highly vulnerable and have little or no social mobility, and whose quality of life has substantially deteriorated due to the deterioration of public services (Salvia and Rubio, 2017). The last third of the society is made up by several groups: the impoverished former middle class, the new poor and the excluded, and is made up by unqualified self-employed workers, informal workers, rural and agricultural workers, and their income derives from unstable informal work and social development aid, and they take advantage of low-quality public services (Salvia and Rubio, 2017). In this last segment, there are most of the unemployed (9%) and informal workers (30%), with households experiencing strong deprivations; this segment also includes the youths who have not finished high school (45%) and 15% of child workers and 8% of children who are food insecure, as well as women who suffer some of the harshest economic and social conditions along with social and cultural exclusion (Salvia and Rubio, 2017).

Finally, world bank data on the Gini Coefficient for the time span 1990-2015 (with 2014 being the last year for which data are available) register a gini coefficient substantially in decrease, as highlighted by the graph below:

Graph 97: Argentina's Gini Index 1990-2014



(Source: World Bank, 2017e)

The data by the World Bank are substantially the same as the ones elaborated by the think tank CEPA on the basis of the INDEC data. However, as we have seen through this section and the previous, such data could be biased due to the manipulation of the statistics that was going on since 2007.

To conclude this brief section about inequality in Argentina, it is important to remark and be aware of the fact that, while conducting analysis about inequality in Argentina, one has to bear in mind that some serious data limitations might actually reduce the reliability of the information about inequality, due to the strong bias caused by data manipulation during the time period 2007-2015. This might be challenge the general conception that inequality decreased during the years of the

MDG agenda. How the data about poverty and inequality was manipulated in the six years of Cristina de Kirchner's presidency is symptomatic of the state of democracy in the country, as manipulation of data is not compatible with a democratic regime.

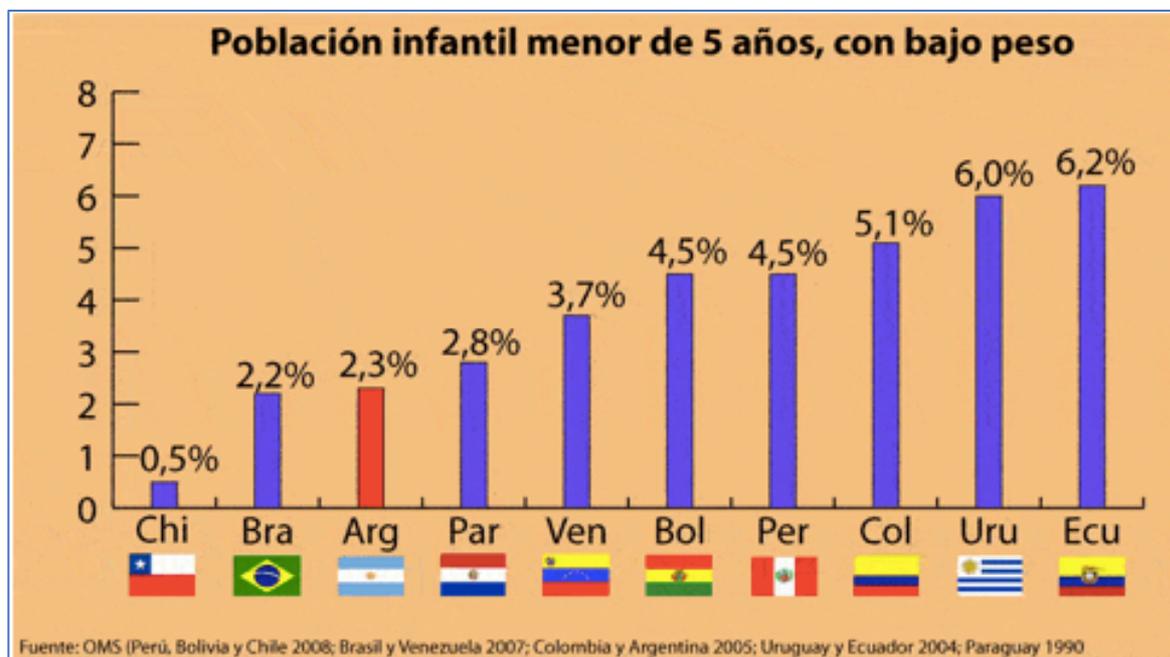
## 5.5 Food Security and Hunger

In terms of food security and battling hunger, Argentina seems to have been able to achieved Goal Number 1 to halve, by 2015, the proportion of people suffering from hunger. In 2015, the year of the target date, FAO in the person of Brazilian Director-General José Graciano Da Silva recognised that Argentina had carried out an outstanding job in terms of food security: as a matter of fact, the country was not only able to halve, in the time span 1990-2015, the proportion of people suffering from hunger, but it was also able to keep the level of undernourishment under 5% for 25 years (Telam, 2015).

However, despite what seems a promising result, things are not as clear and straight forward as this might suggest. In December 2017, a shocking picture of a young thirsty child drinking from a paddle on the street in rural Argentina was published on a newspaper and suddenly raised new concerns about the real state of food security and the real extent of poverty in the country. Already in 2010, some researchers were complaining about the real extent of the problem of food security and hunger in the country, denouncing that few studies are actually available to evaluate the extent of the problem. In 2010, an online publication (Periodico Tribuna, 2010) argued that 1 out of every 17 inhabitants suffered from hunger, and 70% was actually children, who are usually the most vulnerable group. Another online publicaton (Shor, 2010) argued that the extend of the problem was hard to evaluate due to the fact that there are several studies that evaluate the issue, everyone with its own outlook and data that are often difficult to compare, as different organisms have different ways of calculating hunger: some use the number of calories ingested based on household surveys, while others use the percentage of children whose weight is below the average, while others base their analysis on the

percentage of people who state they endure hunger; moreover, the studies are carried out on different populations and it is really difficult to have a clear picture of the magnitude of the problem (Shor, 2010). The WHO carries out studies on nutrition and for the period 2004-2005 estimated that 2,3% of children under the age of 5 suffer from hunger as they have a weight below average (Shor, 2010) and it tried to rank countries in Latin America according to data available, as in the graph below:

Graph 98:Percentage of children under 5 with low weight

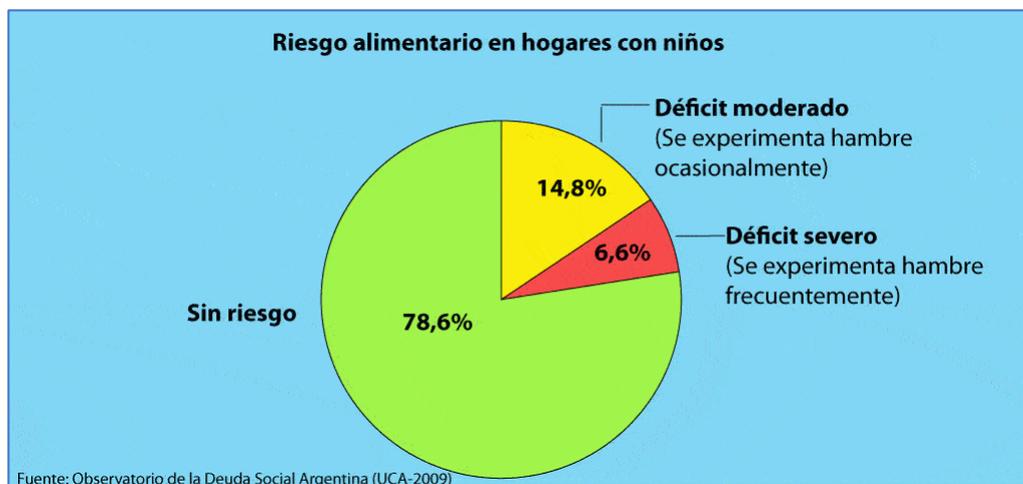


(Source: OMS Data in Shor, 2010)

When looking at this graph, one has to bear in mind that these data are from different years: 2008 for Peru, Bolivia and Chile, 2007 for Brazil and Venezuela, 2005 for Colombia and Argentina, 2004 for Uruguay and Ecuador, and 1990 for Paraguay. This difficulty in retrieving and then comparing data makes it clear how difficult the extent of the problem really is.

The Observatory on Social Debt of the Argentinian Catholic University instead carried out a study on how many people state that they *feel* hungry, meaning that this is a subjective study on people's perception. The study reports that 21,4% of households with children suffer from hunger, and 6,6% of households with children experiences a severe risk of hunger, as the household members suffered from hunger several times per year, the study argues; and if one takes into account also the moderate risk, that is to say the number of people who felt hungry some time during the year, the amount of people suffering from hunger raises to 19,9%, and for people below 18 years of age, to 27,9% (Shor, 2010). The graph below outlines the percentage of people suffering from hunger:

Graph 99: Argentina – Food risk in households with children



(Source: Observatorio de La Deuda Social Argentina, 2009)

As the graph above outlines, 6,6% of households in Argentina experienced severe hunger often, while 14,8% experienced hunger occasionally, that is to say that 1 out of every 5 people in Argentina suffered from hunger in 2009. While this survey takes into account subjective perception, and not real measurements such as calories ingested per day or weight for height, this also has positive results, as it allows to measure hunger in a way closer to Amartya Sen's conception of development, based on what people feel and value. As a matter of fact, a person's caloric need might be different from what is recommended by nutritional guidelines according to the level of activity and other subjective needs that a mere measure is not able to catch. If a person suffers from hunger, to cite Amartya Sen, his or her choice to live the kind of life deemed worth living is restricted, then we cannot talk about development.

A more recent survey from the Observatory on Social Debt of the Argentinian Catholic University, published in 2017, which is out of the time span taken into account in this research, but very significant in terms of data, states that 6 million people in Argentina suffer from hunger, and one out of 10 households in Argentina does not have enough food to feed all its members (Observatorio de La Deuda Social Argentina, 2017). The same study also stated poverty was on the rise in Argentina for the year 2017.

Another study carried out in 2016 by IFAMA, authored by Feeney and MacClay, argued that Argentina was not able to solve some of its qualitative and quantitative food security problems, as in 2012 some 5.5 million people (out of a population of 42 million people) suffered from hunger, that is to say 11.2% Argentinian households, of which 16% had children.

To conclude this section of the state of food security in Argentina, a worrying report by FAO in 2017, suggests that despite the significant progress that was made

in terms of hunger and food security in Argentina and Latin America in general during the Millennium Development Agenda (1990-2015), things might be reverting back, threatening decades of progress. The report (FAO, 2017) argued that hunger was reduced in 21 countries, but increased in 6: Argentina, Ecuador, El Salvador, Granada, Peru and Venezuela. In particular, the increase in Argentina is very contained, 0,2% and could be also due to statistical error, the report argues, but the report also suggests that it might be wise to remain cautious, as the years 2015-2017 are the first years that register an increase in hunger trends after years of reduction, while at the same time overweight and obesity are becoming more and more urgent problems in the region.

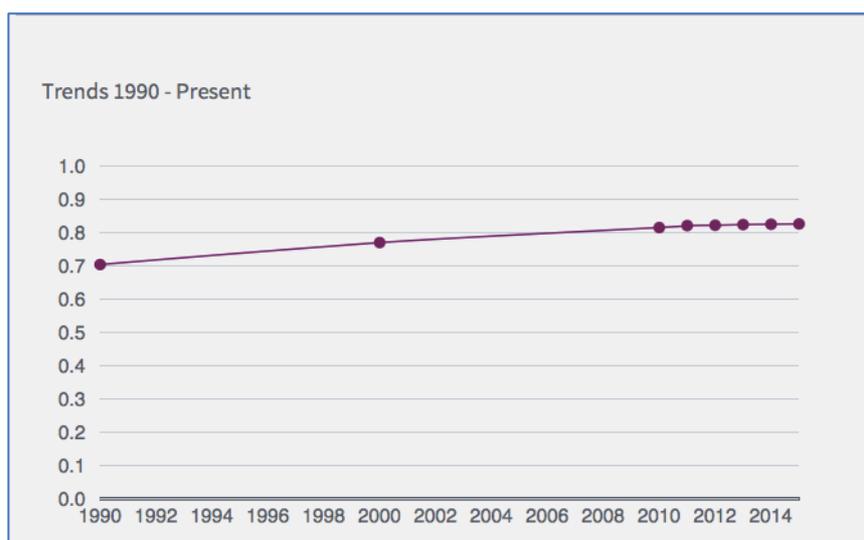
Over the course of the years 1990-2015, Argentina managed to reduce hunger in line with the overall astonishing trend of the region. However, some serious problems remain, especially due both to the lack of data, to the different measurement that each organization adopts, and possibly to the manipulation of statistics that took place in the country from 2007. Some alarming trends are present in the region and threaten the progress made thus far.

## 5.6 Human Development

As briefly anticipated in the introduction to this chapter, Argentina is one of the countries in Latin America with the highest level of Human Development in the region, which makes it belong to countries with very high level of human development. Until 2000, Argentina was the country with the highest HDI in Latin America, but by 2010 it was surpassed, only slightly by Chile, but if we consider the severity of the economic crisis that Argentina endured in the beginning of the new Millennium, we can appreciate how remarkable its HDI, almost equal to Chile, really is.

In 2015, Argentina ranked 45 out of 188 countries, sharing its rank with Croatia, with an HDI of 0.827. In the time span between 1990 and 2015, Argentina increased greatly its HDI, from 0.705 in 1990 to 0.827 in 2015, as highlighted by the graph below:

Graph 100: Argentina's HDI 1990-2015



(Source: UNDP, 2016)

As can be seen by the progress made by the country in 25 years, Argentina was already faring quite well in 1990, due to its history, and its astonishing development during the 20<sup>th</sup> century, as we have seen along this chapter, with high urbanization, full employment and universal healthcare. As Fernandez Valdovinos (2005) reported, at the beginning of the 20<sup>th</sup> century (as early as 1913) Argentina was among the countries with the highest growth in the world; yet, due to the First World War and how it impacted Argentina's economy, the country was never able to recover its glorious past.

Yet, despite difficulties and profound economic crisis, the country was able to achieve impressive results; as a matter of fact, in the 25 years taken into account, its HDI components improved greatly: life expectancy at birth increased by 4.9 years, mean years of schooling increased by 2.0 years, and expected years of schooling by 4.1 years, while the country's GNI increased by as high as 97.5% between 1990-2015 (UNDP, 2016). The next two graphs outline changes in HDI components for Argentina:

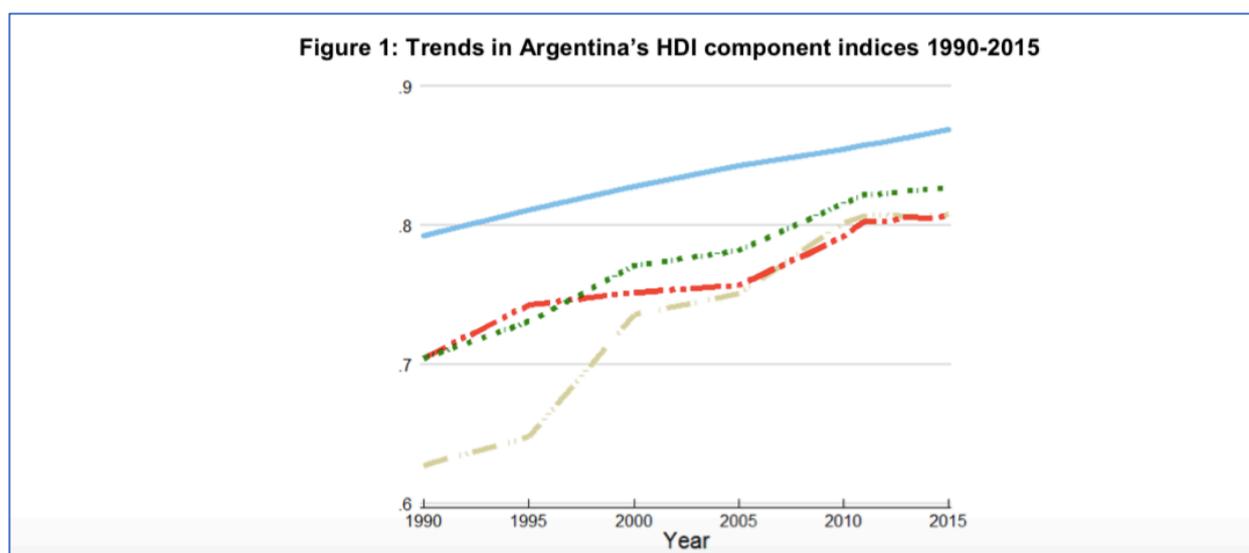
Graph 101: Argentina's HDI trends 1990-2015

**Table A: Argentina's HDI trends based on consistent time series data**

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	71.6	13.2	7.9	10,605	0.705
1995	72.7	13.3	8.3	13,674	0.731
2000	73.8	15.6	9.1	14,538	0.771
2005	74.8	16.1	9.1	14,975	0.782
2010	75.6	17.1	9.8	18,945	0.816
2011	75.8	17.2	9.8	20,366	0.822
2012	75.9	17.3	9.8	20,341	0.823
2013	76.1	17.3	9.8	20,781	0.825
2014	76.3	17.3	9.8	20,664	0.826
2015	76.5	17.3	9.9	20,945	0.827

(Source: UNDP, 2016)

Graph 102: Argentina's HDI components 1990-2015



(Source: UNDP, 2016)

The two graphs above show progress recorded by Argentina in HDI components over the time span 1990-2015. If we compare the country's results with Brazil, we can see outstanding differences: first of all, Brazil's HDI for 2015 (0.754) is close to the HDI of Argentina in 1990 (0.705), which already signals a very different path in development. In other indicators, the difference is quite sustained: if we look at life expectancy for example, we can see that there is a difference of less than 2 years between the two countries, and although Brazil started with much lower figures in life expectancy, it was able to progress very quickly and turned into a developed country. Differences are also visible and significant in expected years of schooling and mean years of schooling, in which Argentina fares consistently well, possibly due to its strong link with Europe and to the important role that the country played during the 20<sup>th</sup> century as the center of culture in Latin America, recording at least two years more than Brazil both in expected and mean years of schooling. In terms

of GNI as well, Argentina is fairing significantly better than Brazil, showing that although the economy was significantly hit during the time span examined, its economic structure is stronger and the country has a better economy altogether.

Yet, despite the high score that Argentina has been able to register, despite profound economic problems, and despite lack of strong development programs like we have seen for Brazil, the country still faces several challenges. First of all, while it is among the countries with very high human development, it ranks last between the countries with very high human development, being significantly below the average of 0.892 for countries with very high development, possibly due to the fact that it is located in a region with several problems, and it has had a very complicated political past, much in common with its neighbours. However, due to the fact that education, healthcare, rapid urbanization and employment were very strong, the country was able to achieve a very high HDI and be well above the average 0.751 HDI for countries in Latin America and the Caribbean (UNDP, 2016). Also the fact that Argentina was able to increase significantly its life expectancy (4.9 years) contributed greatly to the high HDI that the country registered.

In terms of inequality, and the Inequality Adjusted HDI (IHDI), Argentina unfortunately does not fare as impressively as when the simple HDI is taken into account. Discounted for Inequality, the HDI of Argentina loses 15.6 percentage points, with an IHDI of 0.698, well below the HDI recorded in 1990. As the UNDP (2016) outlines, the average loss for countries with very high HDI is 11.1 percent, while for Latin America is 23.4 percent, therefore Argentina in this sense is once again below the countries with very high HDI but above countries in Latin America. With respect to Brazil, Argentina is faring significantly better (Brazil's loss amounts to 25.6 percent, well above the LAC average), but still Argentina's records in terms of

inequality are not very good as it is fairing significantly below what countries with a very high human development index should do.

To conclude this section on human development, it is possible to state that Argentina's results are quite mixed, as it fared significantly well due to a very prosperous past, but many challenges will have to be addressed. Education and health care, in particular, as it will be shown in the rest of this chapter, have been strong indicators of Argentina's strong human development, and also the high life expectancy at birth, much higher than the average LAC have made it possible for Argentina to achieve such good results. However, the time span 1990-2015 in Argentina was not simple: the country endured one of the worst economic crisis, and its democratic foundations were also tested. Moreover, what is important to understand and state several times, is that we do not know the magnitude of the issues in Argentina, as there was a significant manipulation of data and data might be missing for the last decade of the time span selected.

## 5.7 Education

In line with Goal number 2 of the MDG agenda, which aims at reaching universal primary education for both boys and girls alike, I will now review Argentina's performance in the time span 1990-2015 as far as primary education is concerned. It has already been mentioned that Argentina has a sound educational system, and the educational system is so strong that it has contributed to the high level of development for the country, with education indicators increasing every year from 1990 to 2015, as we have seen when reviewing the expected years of schooling and mean years of schooling for the computation of the HDI, which increased respectively from 13.2 to 17.1 (+ 3.9 years) and from 7.9 to 9.9 (+ 2) in the period 1990-2015. As it had already been discussed in the section on education in chapter 2, education is a primary right for all human beings, which allows to overcome poverty and the scourge of inequality, and in this regard, the LAC region is faring quite well, with an enrolment rate at 94%.

As Christian, Alicea and West (2014) report, primary and secondary education have been compulsory for boys and girls alike since 1994, and Argentina is very close to achieve its goal of ensuring the 100% literacy level among its citizens: in this respect, the literacy level increased from 91% in 2001 to 95% in 2007. However, as maintained by the UNDP (2016), the complete achievement of 100% of literacy rate has not been achieved yet due to the difficulty in reaching people living in rural areas, who are always the most vulnerable ones, at more risk of poverty. But, as Christian, Alicea and West (2014) report, the goal number 2 of reaching universal primary education for boys and girls alike was achieved in Argentina in 2008, with a score of 100%, which means that all Argentinians have primary level of education. Moreover, as the UNDP (2016) reported, this underlined and contributed to greater

gender equality, as primary education reached girls as well and contributed to their empowerment and gave them a better outlook for the future.

If we look closer at the state of education in Argentina in general, we see that it is a basic right recognized by the Constitution, which guarantees non discrimination, equity and free state education (Munoz, 2012). Therefore, the Constitution gives the state the highest and broadest responsibility to guarantee and fund education for Argentinian citizens, with all the subsequent tasks that this entails.

Yet, despite all the positive results that the country has experienced in the time span taken into account, and despite education being considered generally good and free, the country is not fairing very well when it comes to results. As underlined by Santos (2007) during the PISA<sup>18</sup> assessment of 2000, the country did not fare well: Argentina ranked 33 in reading, 34 in math and 37 in science over 41 countries. Santos (2007) argues that this confirms the general opinion that the educational system in Argentina has widely deteriorated and now students finish their secondary educational system with very low levels of education, compared to international levels. This has been highly debated after the Educational reform of 1993 reorganized curricula. Moreover, as Santos (2007) underlines, the results were strongly biased for inequality, as the test showed very large gaps between students coming from different social groups, with students coming from high social-economic groups performing significantly better than the disadvantaged students. As Santos (2007) remarks, such results are a sign that there is inequality of opportunities in Argentina, as the socio-economic status does not have a natural correlation with ability, intelligence or effort, Santos (2007) argues. Rather, it could be that the higher socio-economic groups manage to have better quality education, and come from

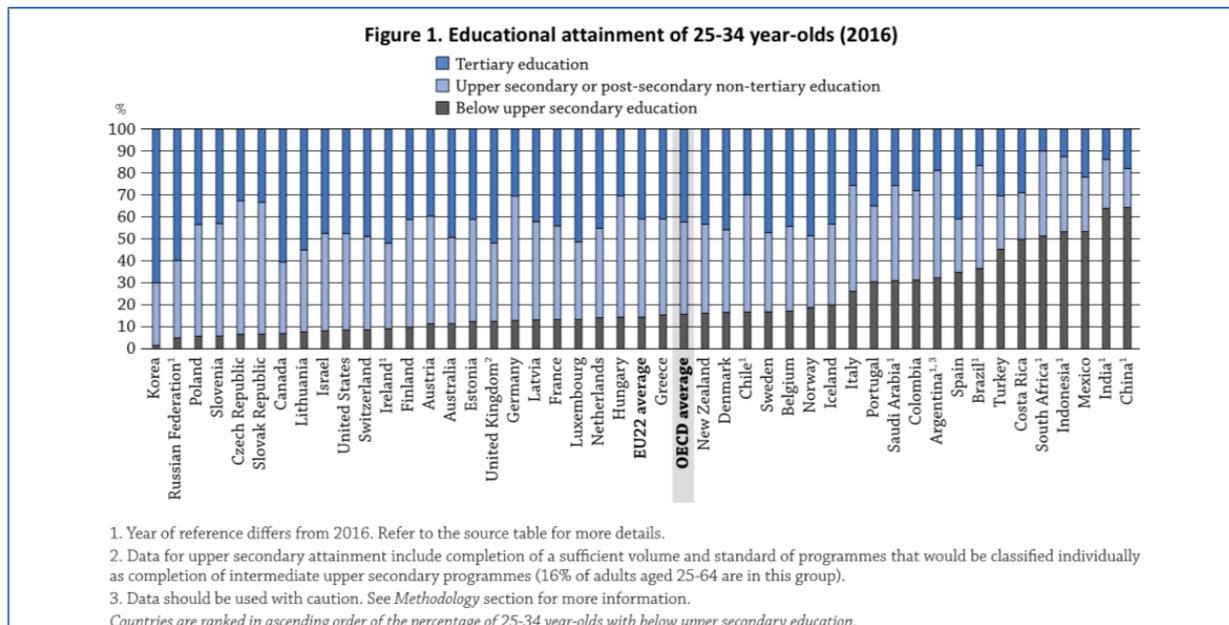
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<sup>18</sup> PISA is an international standardized assessment for 15-year-old students to evaluate their cognitive skills developed by OECD and UNESCO, to evaluate the educational system of a country.

families who value and stress more the importance of education. Interestingly enough, possibly due to the political regime of Argentina at the time, in 2015 Argentina did not take part into the PISA Assessment, while Brazil ranked 63 out of 70 countries, with scores much below the average in terms of reading, math and science.

For what regards the level of secondary education, while the PISA Assessment for 2000 gives reasons to believe that it might have deteriorated over time, the level of people completing upper secondary education (for people aged 25-34) has increased from 42% in 2005 to 49% in 2014 (OECD, 2015). The below graph, elaborated by OECD jointly with ILO and UIS (2017) portrays the situation for Argentina, in comparison with other countries as well:

Graph 103: Education attainment 25-34 year olds



(Source: OECD/ILO/UIS, 2017)

The graph above shows that in terms of education, Argentina is fairing considering well, although it is below the OECD average. If we compare the country with Brazil, for example, we see that Argentina is faring slightly well in terms of tertiary education, which seems to yield better employment opportunities, according to the OECD (2015).

To conclude, while it has been generally knowledge that the educational system in Argentina, guaranteed the high level of human development, and ensured greater equality for the fact that the State is called to guarantee and provide free and equal education for all its citizens, much of the good results of the country come from a very strong past, and the situation is progressively deteriorating in the country. In particular, the fact that the country did not take part in the PISA 2015 assessment, stalls our ability to make comparisons and is suspicious of manipulation of data, as already happened for poverty data since 2007. What appears clear is that the educational system in Argentina should be reinforced and reformed to provide better equality of opportunities and to be competitive at international level, as well as to be able to maintain the very high level of human development that the country has recorded in the last 25 years (1990-2015).

## 5.8 Employment and Economic Growth

As we have seen throughout this chapter, as far as employment and economic growth for Argentina are concerned, the country endured very severe problems during the time span 1990-2015, with a profound economic crisis that impacted its social and democratic fabric. As it has already been pointed out, Fernandez Valdovinos (2005) argued that in 2002, Argentina experienced an economic collapse worse than most countries would ever experience in their history, and for sure the worst that the country had experienced in generations, with the four years leading to the collapse of 2002 (1999-2002) which saw a decrease in the GDP by over 20%.

In order to understand the complexity of the economic situation in Argentina in the 25 years taken into account, it is necessary to look back at the situation of Argentina in 1990. As Krueger (2002) highlights, at the time, Argentina was performing extremely well, better than most countries; in the time span 1990-1997, the country outperformed most countries, with an annual GDP growth by more than 6%. The country even managed to withstand the contagion of the Tequila crisis of 1995, showing its resilience, and the country's performance was also recognized internationally, with President Menem appearing alongside US President Clinton in international meetings in 1999. But from 1999 until the 2002 collapse, Argentina's economy down spiralled and GDP fell between 15 and 20 percentage points in the four years indicated. Krueger (2002) argues that in order to understand the decline of Argentina at the beginning of the 21<sup>st</sup> century, it is necessary to analyze the early 1990s with the Convertibility Plan of 1991, which aimed at controlling Argentina's skyrocketing inflation. The Convertibility Plan had impressive results at the beginning, and even when its effects stabilized, Argentina was able to record

favourable results (Krueger, 2002); at the same time, although the Mexican and Asian crises of the late 1990s impacted Argentina's economy, the country was still able to come out of these crises well, also helped by the fact that the falling dollar boosted its economy in the European markets.

Despite these good results, Argentina could not overcome the effects of two major failings: its weak fiscal policy and mounting overvaluation, with the latter reflecting high inflation, a stronger dollar and a not enough flexible labor market (Krueger, 2002). Moreover, with regards to fiscal policy, Krueger (2002) highlights that much of the public sector in Argentina (2002) had become bloated, with the average public servant being paid more than in the private sector (by 1998, 45% more). Moreover, by mid 1990s, the public workforce in Argentina accounted for 12.5%, while it accounted for 7% in Brazil and Chile, a figure more in line with the industrialized countries of Europe. The graph below shows public expenditure in Argentina compared to other countries:

Graph 104: Argentina -Public sector employment and wages (1996-2000)

<b>Public Sector Employment and Wages (1996-2000)<sup>1,2</sup></b>		
	<b>Average Wage</b> (% GDP per capita)	<b>Public sector employment</b> (% of labor force)
<b>Middle Income countries</b>		
Argentina	1.9	12.5
Brazil	...	7.3
Chile	2.0	7.1
Mexico	1.1	4.5
Indonesia	1.4	5.0 <sup>1</sup>
Korea	2.1	8.0 <sup>1</sup>
Philippines	3.0	5.2 <sup>1</sup>
Thailand	...	6.0 <sup>1,2</sup>
Poland	1.4	5.4 <sup>1,3</sup>
Russia	...	8.3
Turkey	2.1	8.2 <sup>1,3</sup>
South Africa	...	9.2 <sup>1</sup>
<b>Sample of European countries</b>		
Germany	1.4	11.5
Italy	1.6	13.6
Portugal	2.0	14.4
Spain	1.7	12.5

(Source: World Bank and OECD Data, 2002)

As we can see from the graph, Argentina public sector employment was largely in line with the more industrialized European countries, countries with larger and stronger economies, while Argentina differed significantly from other countries with a much similar economy. Due to all these factors, Argentina's public debt rose immensely, from 33% of GDP in the early 1990s to 41% in 1998. By 1998 and 1999, as Krueger (2002) argues, the Argentinian economy started to collapse until the great depression of 2002.

Yet, as Fernandez-Valdovinos (2005) points out, the country was able, once again, to turn its fate around. By 2003, the economy, Fernandez-Valdovinos (2005) outlines, was able to flourish again, strongly driven by exports and a gradual and steady increase of consumption spending.

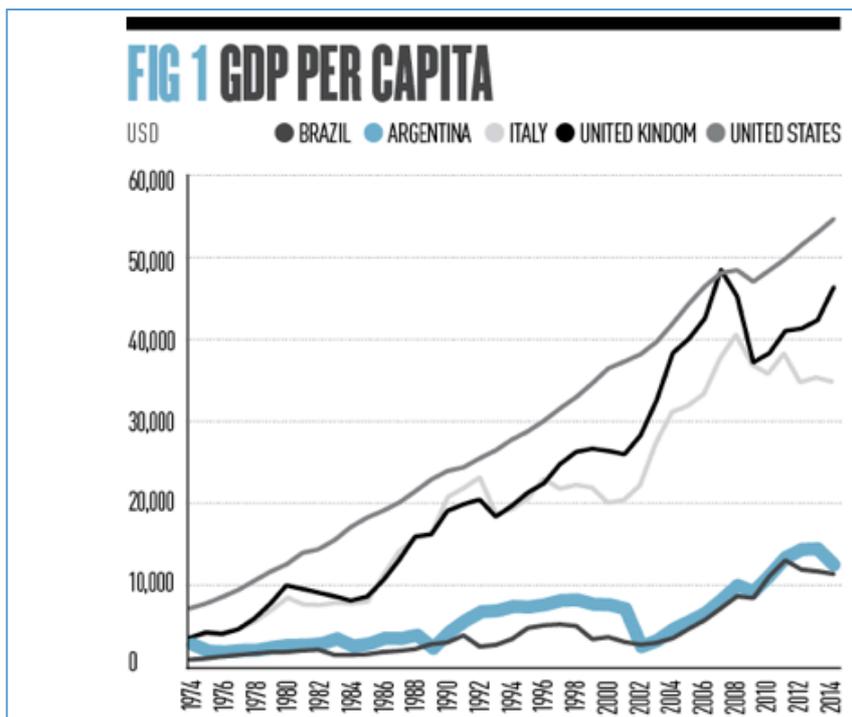
As underlined by a joint EC ILO publication (EC ILS, 2011), Argentina was also able to fare quite well in respect to the global financial crisis of 2008-2009, as it was also able to respond to such crisis better than its previous crisis of 2002. According to the EC ILO publication, the country was able to implement successful policies, learning from its own experiences: while Argentina was not immune to the effects of the 2008-2009 crisis, the impacts were modest and short lived. GDP started to decline at the end of 2008, and dropped quarterly by 0.9% in 2009 and then 0.4% in 2010, while output growth increased by 1.9%, while the effects on labor market were loss of 142,000 jobs in 2009 and a decline of the population to employment ratio of 3.3%. However, by the beginning of 2010, employment had started to grow again and managed to reach pre-crisis levels eventually (EC ILS, 2011). Moreover, as the joint EC ILO (EC ILS, 2011) publication remarks, Argentina's quick recovery was supported both by employment and the social measures elaborated during the previous crisis, from which Argentina seemed to have learnt a great deal. On the fiscal point of view, social policies were at the core of Argentina's response, which helped mitigate the effects of the crisis. Most importantly, more than half of the measures implemented (56%) were a product of the previous crisis (EC ILS, 2011).

In order to protect and promote labor during the crisis, the Argentinian government launched a series of measures such as an increase in infrastructure spending, through the Plan for public works, and a budget for public works that

doubled in 2008 with respect to the previous year; moreover, a series of measures aimed at supporting firms were introduced, such as easy access to credit, as well as subsidies and tax reductions (EC ILS, 2011). Moreover, measures to help and protect jobseekers, jobs and the unemployed were also implemented, such as training measures, wage and labor cost reductions, and extension of unemployment benefits (EC ILS, 2011).

Yet, despite the good results that the country recorded during the last crisis, several challenges still remain. As the graph below shows, GDP per capita for Argentina did not grow as extensively as it did for other countries, such as the UK, the US and Italy, for example, and Argentina was never able to match the good performances of its counterparts, but actually its economy converged more and more towards other Latin America economies:

Graph 105: GDP per capita



(Source: World Finance, 2016)

Argentina's economy and employment throughout the time span 1990-2015 underwent several problems, such as severe crises, and the country was able to learn from its previous mistakes. However, due to the problems that the country faced at the turn of the new Millennium with one of the worst economic crisis and the difficult economic conjuncture at world level, the task that Argentina will have to face in the future could prove more difficult.

## 5.9 Women's Empowerment

As goal number 3 of the MDGs called for the promotion of gender equality and the empowerment of women, we can now examine the progress of Argentina with respect to gender equality and empowering women in the time span 1990-2015. As the UNDP (2016) highlights, violence against women is not limited to a single country, social class or culture, but it is endemic of every social class and country, and it hinders the ability to reach gender equality and is a violation of human rights. In this respect, as the UNDP (2016) remarks, since 2009, Argentina has had a national law, *Ley Argentina contra la violencia hacia las mujeres* to combat domestic violence and violence against women in different fields. Yet, despite the gravity of the issue (which is becoming a very pressuring issue at present at worldwide level), little or no data is available to properly deal with the issue. Scientific, tangible data are hard to find, and the issue is often left to newspapers. For example, El Pais (2017) remarks that violence against women is hidden everywhere in Argentina, it's in the culture, in the songs, and up to the recent past, domestic violence and murders were commonly referred to as love crimes (*crimen pasional*): such reference was widely used by the media, and it took a difficult cultural battle to change such terminology. One of Argentina's best known musicians, Gustavo Cordera, publicly stated in 2016, that *some women need to be raped* (El Pais, 2017). As El Pais (2017) remarks, despite the fact that there has been a law against gender violence in Argentina since 2009, in 2016, one year after the time span taken into account, 290 women died from the hand of their partner or ex partner, with an increase of 1.34% with respect to 2015. Again in 2015, our last year of analysis, the feminist movement *Ni una menos* was created, after a huge protest which took place

in March. The movement spread rapidly across Latin American countries, to denounce and oppose machist violence (Ni una menos, 2017).

As El Pais (2017) remarks, the unemployment rate in Argentina is 9.3%, but the feminine unemployment rate is 10,5% and in some regions of Buenos Aires, the rate is even twice as high. A research of the Universidad Abierta Interamericana (Open Interamerican University) (2016) highlights that women in Argentina earn 27% less than men, despite holding the same position, and even when they have a higher level of education, they are 19 times less likely to get promoted than men. Other data from Accenture (2016) argue that if the percentage of unemployed women is added, women get 106% less than men, that is to say that they earn less than half of what men earn for the same job.

In terms of data from the UNDP (2016), the Human Development report calculates the Gender Development Index, which is based on disaggregated data. The Argentinian GDI, reflecting achievements in health, education and availability of economic resources, is 0.813 for females, against 0.828 for males, resulting in a GDI value of 0.982, which places the country into Group 1, same as for Brazil, which has a higher GDI (1.005 overall).

If we look at another index, the Gender Inequality Index (GII), which takes into account inequality, the GII for Argentina is 0.362, which ranks Argentina 77 out of 159 countries, with Brazil ranking 92 with a GII of 0.414. As the report (2016) highlights, 37.1% of parliamentary seats are occupied by women and 63.5% of women have reached some secondary education level compared to 61.4 of men. Every 100,000 live births, 52 women die from pregnancy related cases, and the adolescent pregnancy rate is 63.8 births every 1,000 women aged 15-19, while the employment rate for women is 48.4% compared to 74.5% for men.

In 2014, CEPAL remarked that Argentina was the first country in Latin America to elect a woman for two consecutive mandates (Cristina De Kirchner) and it has also elected women in other important positions, which were traditionally run by men. Moreover, the country introduced in 1992 the *Ley de Cupo*, which provides that 40% of political charges be covered by women. In 2005, the Plan de jubilacion de ama de casa (Plan for housewife retirement) was introduced, to help informal female workers, and in 2009 the Asignacion Universal per Hijo (Aid to women with child) was also introduced. In 2013, the Ellas Hacen (they do) Plan was implemented, to protect women with children, organizing their work into cooperatives, and in 2014 the Program PROGRESAR continued to help young and vulnerable women with children (CEPAL, 2014).

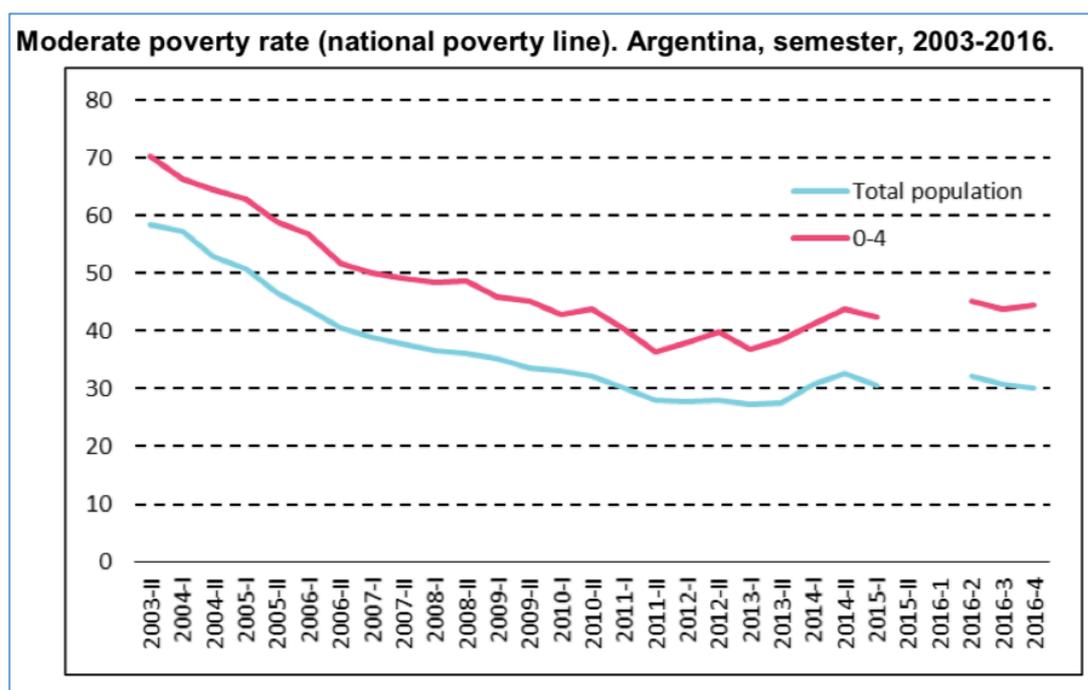
Violence against women and women's empowerment in Argentina is still a very complicated issue, in line with what is happening in the world. Many laws have been created to tackle the issue and to empower women; yet, despite these very important measures, violence against women in Argentina is still a very common issue, that concerns all social and cultural levels. It is the product of a cultural heritage which will have to be fought on many levels, with educational programs, and with stronger efforts. As it was already discussed during the previous chapters, societies with better empowered women fare better in all levels, have a more democratic structure, have healthier and more educated children and in total fare better in all indicators. Inequality of gender is at the core of the overall inequality equation, even in economic terms.

## 5.10 Child well-being

In line with the UN MDG Number 4 to reduce by two thirds child mortality and with a much wider aim as to examine child well-being in Argentina, I will now look at the conditions of children in Argentina in the time span 1990-2015. Although data are somewhat scarce and missing, due to the failure of Argentina to often comply with a thorough development agenda, it is possible to say, that despite the country having shown significant commitment for child well-being for the new development agenda of 2015-2030, with the Sustainable Development Goals, things have not been very successful in terms of protecting children's rights and their well-being during the time span 1990-2015. As it has already been discussed, the protection of children's rights is stated in the Declaration of the Rights of the Child (1959) and its Convention (1989), and it is the responsibility of the State to protect children and ensure that they have a sound, healthy development.

As underlined by CIPPEC (2017) unfortunately, during the last decade, while there has been a significant reduction of poverty rates from 2003 to 2016, using estimates that consider the poverty line, which according to CIPPEC (2017) went from 58.5% in 2003 to 30% in 2016, there has been a peculiar phenomenon of infantilisation of poverty, and as a result in 2016, while moderate and extreme poverty affected respectively 30% and 5.7% of the adult population, the rates for children aged 0-4 were respectively 44.4% and 8.2%. CIPPEC (2017) also underlines that while general poverty lines decreased for all groups since 2003, the gap between groups increased, with children under the age of 4 being 1.4 times more likely to live in extreme poverty than adults in 2003, while in 2014, the likeliness increased to 1.7 times in 2014, as shown in the following graph:

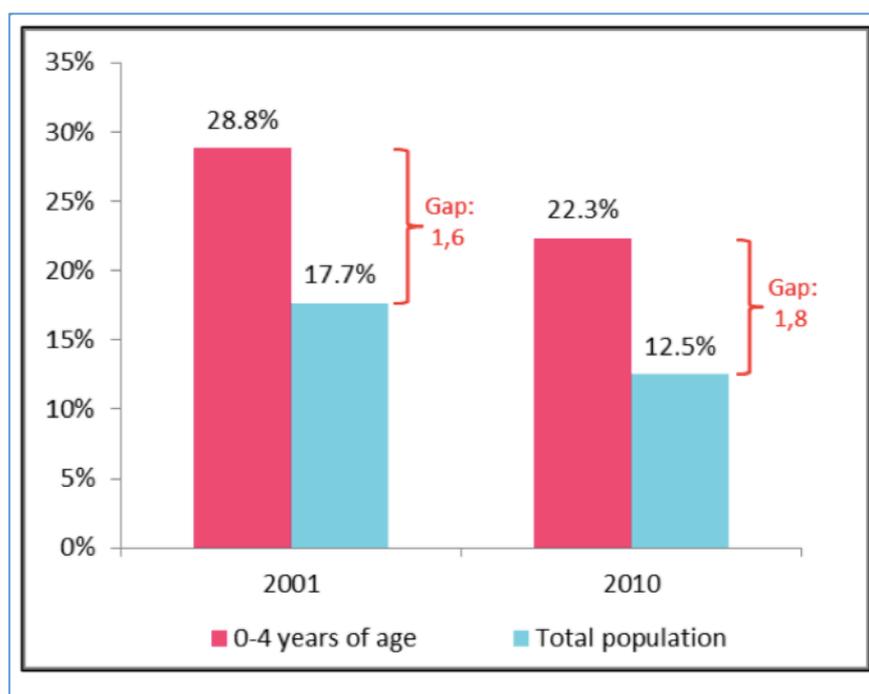
Graph 106: Poverty rates in Argentina 2003-2016



(Source: CIPPEC, 2017)

Moreover, CIPPEC (2017) also showed the infantilisation of poverty on indicators different from income poverty. While as we have seen there hasn't been a Multidimensional Poverty Index since 2005, if one looks at the Unsatisfied Basic Needs based on census data, for the years 2001 and 2010, one can see that the reduction has been much more significant in the adult population than in the children aged 0-4, as outlined in the below graph:

Graph 107: Argentina -Unsatisfied Basic Needs 2001-2010



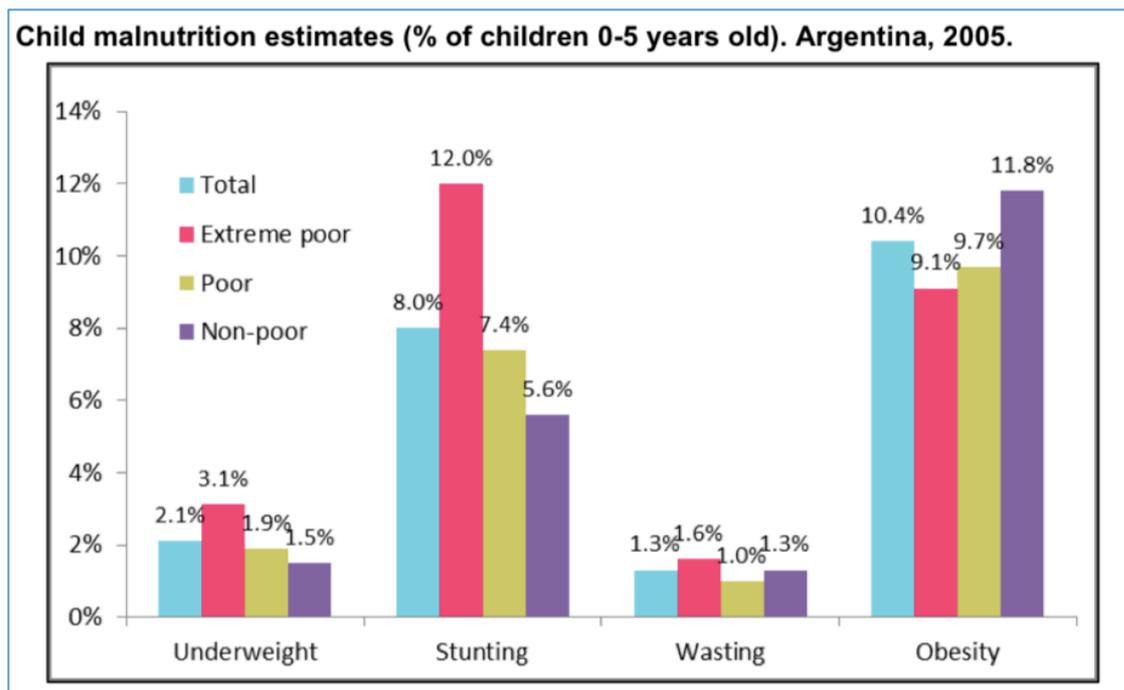
(Source:CIPPEC, 2017)

Moreover, CIPPEC (2017) underlines that while there have been many social protection programs for the population, which were also extended to the youngest section of the population. In 2011, 12.4% of the total population was eligible to receive some kind of protection aid, but failed to do so, which proves how social protection programs have not been able to reach the intended population. In particular, there seems to be very significant differences between regions, with the Greater Buenos Aires area being less compliant with social protection (11.2% of household did not receive any type of cash transfer in 2011).

For what concerns children's food security, data from the National Survey of Nutrition and Health (GHD, 2005) showed that 1.3% of children between 6 and 60 months suffered from wasting, which is classified as acute malnutrition, with peaks of

1.6% in children living in extreme poverty, while children living in moderate poverty were below the national mean of 1.0% with disparities at regional level. The graph below shows the malnutrition estimate for Argentina in 2015, among children from 0 to 5 years of age:

Graph 108: Argentina Child malnutrition estimates according to level of income 2005



(Source: CIPPEC, 2017)

The graph above shows the percentage of children suffering from underweight, stunting, wasting and obesity, and it shows systematically how inequality plays a role in nutrition as well, showing that the most vulnerable groups in terms of income, are also the ones suffering from the highest levels of malnutrition, except in the case of obesity, which is still a problem of malnutrition, but seems to be a problem of the more developed world/social problems.

As CIPPEC (2017) underlines, in 2005, 8% of children were shorter than normal, and the condition seemed to be more prevalent in children living in extreme poverty (12%). Another marker for malnutrition in Argentina in 2005, was the prevalence of anaemia in children: according to CIPPEC (2017), in 2005 34.1% of children between 6 and 23 months suffered from anaemia, while 8.9% suffered from anaemia in the age span 24-60 months of age.

In terms of maternal mortality rate for women, which is an important proxy for child well-being, CIPPEC (2017) reports that the country was not successful enough to comply with the 75% reduction required by the MDG goal number 5; however, good results can still be recorded in terms of maternal mortality reduction, with a reduction from 5.2 deaths for every 10,000 live births in 1990, to 3.9 deaths in 2015. Moreover, as CIPPEC (2017) highlights, in 2015, most of the births, 99.5% took place in hospitals and official health centres.

To end this brief section on child well-being, as far as HIV/AIDS is concerned, it is worth noting that Argentina is the country with the highest access to retroviral drugs in all of Latin America (UNAIDS, 2017), however, since 2010, new infections have increased by 16% and deaths related to AIDS by 3% (UNAIDS, 2017). The estimates for the year 2016, reported 120,000 people living with HIV/AIDS, of whom 1200 are children aged 0-14 years of age, while less than 100 children were newly infected in 2016, and the deaths due to HIV/AIDS in children aged 0-14 were less than 100.

If we compare these figures with what has been seen for Brazil, we see very significant lower figures, showing that the country has been able to contain the HIV/AIDS pandemic, although the number of people living with HIV/AIDS increased from about 42,000 in 1990 to 110,000 in 2015.

To conclude this brief section on child well-being in Argentina, it is important to notice that some challenges are still to be tackled. First and most important, there has been a strong infantilisation of poverty, with children being aged 0-4 being more vulnerable than other social groups; maternal mortality is still higher than what required by the Millennium Development Agenda; moreover, malnutrition is still very high in children, and is strictly connected to income/social class, while social aid/protection have failed the most vulnerable in the most urbanized and most in need areas. Inequality seems to be present in all these sectors, and to be affecting child well-being in different ways.

### **5.11 Infrastructure, development and social issues**

In terms of infrastructure, Argentina fares quite well compared to other countries in Latin America, yet some improvements are necessary. In terms of infrastructures, Argentina has 215,434 kilometres of roads, with comprise 734 kilometres of highways, yet only 63,553 kilometres are paved roads (about a little less than one third, faring better than Brazil, which only has about 15% of paved roads) (Nationsencyclopedia, 2017). Moreover, the country receives development aid to build its infrastructure, both from the World Bank and the United States (Nationsencyclopedia, 2017), and is endowed with a good rail system for both goods and passengers, amounting to about 38,326 kilometres. (Nationsencyclopedia, 2017).

Argentina has 10,950 kilometres of navigable water, however, the majority of Argentina's ports are concentrated on the Atlantic Coast, while the inland waters are not commonly used (Nationsencyclopedia, 2017), and the country has an extensive pipeline system of 4,090 kilometres of crudeoil pipeline, 2,900 kilometres of other petroleum products, and 9,918 kilometres of natural gas pipeline (Nationsencyclopedia, 2017).

Argetina has more than one thousand airports, but only 142 have paved roads: the capital, Buenos Aires, has two main airports, which are used for international and domestic flights for both goods and passengers (Nationsencyclopedia, 2017).

In terms of telecommunication, there is an ongoing deregulation, and things have greatly improved the situation in the country over the past; in Argentina, there are about 20 phones for every 100 people, and international companies operating

such as AT&T, MCI and Sprint, which however, are able to provide long distance service up to a certain point (Nationsencyclopedia, 2017).

In terms of electricity production, the electricity industry was privatized in 1991, and the country is the second, after Venezuela, with the largest reserve of natural gas in South America, and it also accounts for significant reserves of crude oil (Nationsencyclopedia, 2017).

Despite these good results, the country experienced a decade of very low investment during the populist administration of the Kirchners (2003-2015). As Reuters (2017) reports, the new Presidency of Macri has elaborated a plan to attract new investments for a total of US \$ 5.3 billion through 2022, by increasing investment in transportation, communications and technology sectors, in order to modernize the country and change the vision that Argentina has at international level. As outlined by the World Economic Forum (2016), Argentina has been the enigmatic player at world level for many years now, due to its very important and successful past, and its deteriorating present. Currently, Argentina ranks 122 out of 140 countries in the World Economic Forum 2014 (with Brazil ranking 120). The years 1990-2015 were characterized by growing insecurity, economic crisis and poor infrastructure investment, which the new government of Macri (from 2015) aims at modernizing to open up to new investors, new firms, and sees investment infrastructure as a key player to boost the country's economy, modernize its structure and ultimately eliminate poverty.

In terms of development aid, Argentina was on the receiving end of development aid in the past. As stated by the European Commission (2017), due to its economic performance, Argentina is considered as a graduate country and is no longer eligible for development aid in terms of bilateral cooperation for the time

period 2020-2024, but it can still be part of thematic and regional agreements. In the time span 2007-2013, Argentina received US \$65 from the EC under the Development Cooperation Instrument, with the following priorities: strengthening of education to increase social inclusion and vocational training capacity, as well as economic competitiveness for small businesses. As a result of these efforts, the training capacity for young people in particular was enhanced, and the European Union has also supported human rights projects, and in particular supports Argentina in the field of access to justice and compliance. Such an instance of development aid is particularly significant in a country with an uncertain democratic path both in the past and in the recent years. Respect for social justice and compliance with international standards can both be very successful in the fight against inequality and in ensuring democratic path for the country.

In terms of social violence, although not as striking as Brazil, the country is not far from problems. As reported by Human Rights Watch (2017b), the country faces problems such as police abuse, poor prison conditions, endemic violence against women, discrimination against indigenous people and difficulties in accessing reproductive health services, such as voluntary sterilization and contraceptive measures, also due to the fact that abortion is illegal in the country (except in case of rape or endangering the woman's life). Moreover, impunity for the 1994 AMIA bombing, delays in nominating judges, and provisions hindering free speeches are also severe problems reported by Human Rights Watch (2017b). There seems to be significant progress, despite the problems faced by the judges, in bringing to justice the perpetrators of crimes during the dictatorship years, while significant progress has also been recorded in locating missing children of *desaparecidos* parents (as of November 2016, 121 children illegally taken had been

found, much due to the perseverance of the mothers of Plaza de Mayo) (Human Rights Watch, 2017b). Free speech is still a problem and some concerns have arisen due to public access to information held by government (Human Rights Watch, 2017b).

To conclude this brief section on infrastructure and issues in Argentina, it appears clear that while the country enjoyed a very successful past, it also faced several problems from the economic crisis of 2002, which stalled its progress and mined its reputation. In the time from 2002 until 2015, the country managed to recover economically, but its infrastructures have remained insufficient to ensure the competitiveness of the country and attract foreign investment. Moreover, social issues such as violence against women and discrimination against indigenous people, as well as impunity for crimes remain serious threats to the inequality equation.

## 5.12 Conclusion

As it has been shown during this chapter, the path to development of Argentina in the time span 1990-2015, has been rather difficult. The country enjoyed remarkable success during the 20<sup>th</sup> century and was the most advanced economy of Latin America up to the 1990s. Yet, at the turn of the Millennium, it suffered one of the worst economic crisis that any country was ever to endure, and although it was able to recover, several challenges remained. While it has been shown that the country was able to reach all but one of the MDG (reducing maternal health by two thirds was unfortunately out of reach for Argentina), several challenges remain that threaten the democratic structure of the country. While the country was able to recover from profound economic crisis and statistics report that poverty has been reduced, it has been shown that data manipulation has been happening in the country from 2007, and from 2013 to the end of Cristina Kirchner's mandate, there are no official data on poverty. Moreover, there has been an infantilisation of poverty, as we have seen, with children suffering from poverty and inequality more than any other group. Moreover, women are often victims to violence, and machism is still endemic in the Argentinian society, with women being victims of violence, discrimination, inability to access reproductive health services, and facing a whole range of discriminatory practices. Moreover, other problems are still lingering in the society: there is still the need to reconcile the very dramatic years of the dictatorship, and the need to bring before justice the perpetrators of terrible deeds; some of the *desaparecidos* children have not been found yet, and the country still needs to reconcile with a very difficult chapter of its history.

Moreover, the Kirchner years (2003-2015) have been incredibly difficult for the country, with allegations of data manipulation, reduction of the freedoms of press

and speech and lack of investment in infrastructure and social problems. The research over these last years has often been difficult for lack of data, unlike Brazil, which instead offered a variety of data and showed a very impressive effort on the path to development.

The second chapter of this part will present data analysis on the relationship between inequality and democracy, in order to understand how the relationship between inequality and democracy evolved in the time span taken into account. For Argentina, this kind of research is vital to offset the allegations of data manipulations and lack of data that characterized the years of Presidency by Cristina de Kirchner, and to provide a clearer picture of how inequality evolved along with democracy and how the democratic fabric of the country was also interested.



6 ARGENTINA : POVERTY, INEQUALITY AND DEMOCRACY: DATA ANALYSIS (1990-2015)



## 6.1 Introduction

During this second chapter on Argentina, I will present mainstream research on the state of democracy in Argentina, just as I did for Brazil, during the time span 1990-2015, and then I will try and conduct data analysis on the relationship between democracy and inequality in the time span of the MDG agenda. As it appeared clear during the course of the first chapter on Argentina, data analysis could prove rather difficult, as there was a very heavy manipulation of data during Cristina de Kirchner's mandates, at least until 2013, which could bias the results of the research.

A first part of the chapter will present mainstream analysis on democracy according to data from Freedom House, which is one the most authoritative think tanks on democracy in the world, and has provided data on the state of democracy in the world since 1998, as this will offer a good outlook on the state of democracy in Argentina. Moreover, just as it was done for Brazil, I will also present data from Latinobarometro, on the perception of democracy as recorded by Argentinians, to see what is the general perception of democracy in the country, and how happy Argentinians are with the state of democracy. Research from the years 1998, 2005 and 2015 will be conducted to see how Argentina evolved and fared in terms of democracy and in terms of the relationship between inequality and quality of democracy during the time span of the MDG. As it is important to remember, such time span is particularly significant for Argentina, as the country endured one of the worst economic crisis ever witnessed in history, but it was able to recover and actually managed to turn its fate around and maintain extremely high levels of human development (as we have already seen, Argentina was the country in Latin America with the highest HDI Index, due to the very long life expectancy of its citizens, and the universal free public education, and is currently only second to

Chile, which it follows very close, in terms of human development), while working to keep its global status as the most progressed country in Latin America.

The first part of the chapter will also present the situation of human rights in the country, trying to investigate the state of human rights and democracy, which could have suffered both due to the economic crisis of 2002, and to the political mandate of the Kirchner family, which presented several problems in terms of freedom and legitimacy. Finally, the chapter will also present analysis on other indicators, such as corruption, as that is a very important proxy for the state of a democracy, as we have already seen for Brazil, and which is particularly relevant in a region which is plagued by the phenomenon of corruption. I will also present other indexes, which aim at providing a clearer picture on the state of democracy in Argentina, by expanding the concept of democracy as *the government by the people for the people*.

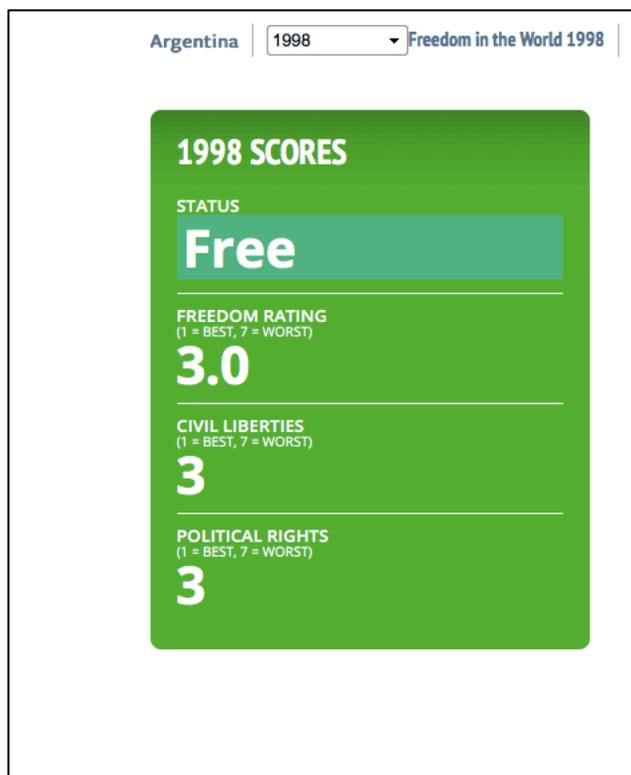
The second part of the chapter will focus on the concept of quality of democracy as elaborated by Morlino (2011, 2016 and 2017), as we have already seen for Brazil, it will analyze how Argentina's quality of democracy fared in the 25 years of our research, and if we can identify a clear relationship between inequality and the quality of democracy, as we attempted to do for Brazil. Indicators of poverty, inequality and human development will be discussed in their relationship with democracy, to identify if there could be a pattern or if further research, possibly with new indicators, and new data is necessary.

## 6.2 Freedom House: Argentina 1990-2015

This section presents the main democratic features of Argentina for the period 1990-2015, as outlined by Freedom House, an independent organization which aims at promoting human rights and democracy around the world. Analysis over the course of time will be provided, as it will show the progress in terms of democracy that the country made over the 25 years.

As we have already discussed, data analysis for the time span 1990-2015 will start in 1998, the first year for which Freedom House publishes data for Argentina. If we look at such year, we can see remarkable differences compared to Brazil, as the following graph outlines:

Graph 109: Freedom House rating Argentina 1998



(Source: Freedom House, 2018d)

As we can see from the above graph, in 1998, Argentina was faring remarkably better than Brazil, as it was considered free (while Brazil was only partially free with a score of 3.5) and was recording better results in terms of civil liberties and political rights: as a matter of fact, the country was recording a 3 in both (with ratings from 1 to 7, where 1 is the best, and 7 the worst score). Yet, despite this good results, as Freedom House (2018d) reports, there were some general problems. The country had just lost 1 point, going from 2 to 3, in political rights, due to the government spying on political leaders, and videotaping consensual sexual acts between adults. Moreover, corruption was rampant, the senate was packed with the ruling party and Menem was conducting a tough campaign against independent federal prosecutors. In general, in terms of political rights and civil liberties, in 1998 citizens were generally free, they could change government through elections, and they enjoyed freedom of religion and speech. However, during the Presidency of Menem, legislative authority was circumvented by the use of urgent decrees; freedom enjoyed by journalists was often restricted due to frequent anonymous threats, and various acts of intimidation, which included more than 1,000 beatings, and calls of death threats during Menem's Presidency. Moreover, Menem's manipulation of the judiciary undermined the country's separation of power, and he passed laws that allowed him to allocate important positions to loyal judges, which gave him further control of the judiciary. According to Freedom House (2018d), Menem pardoned military officers convicted for playing an important role in the dirty war, which led to the coup of 1976; moreover, there were general violations of human rights, and generally widespread police misconduct, which resulted in a number of extrajudicial executions perpetrated by law enforcement, and investigation

of a car bombing against Jewish targets in 1994 remained stalled due to both poor police work and the complicity of security forces with the terrorists.

If we look at Argentina's situation in 2005, we can see significant progress, with significant improvement in the scores of political rights and civil liberties, as outlined in the graph below:

Graph 110: Freedom House rating Argentina 2005



(Freedom House, 2018e)

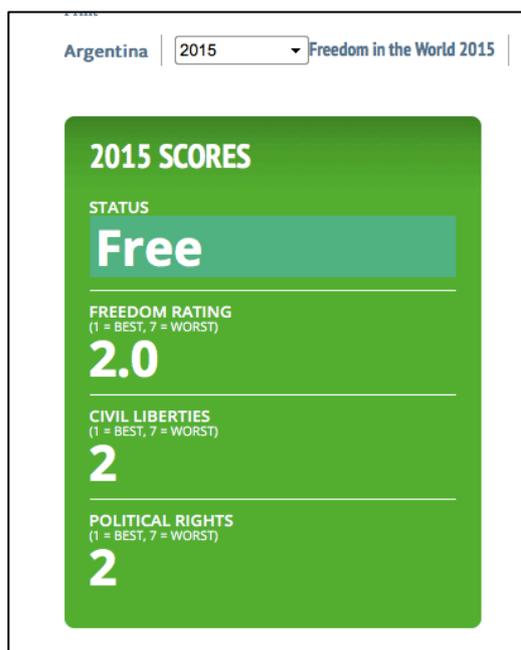
As we can see, the country improved its scores due to reform in the judicial system (Freedom House, 2018e). In 2004, Nestor Kirchner, who had been elected in 2003, had promised to mend the great inequities of the country. He managed to

negotiate successfully the debt of Argentina with foreign investors, also thanks to the admission by the IMF that some of IMF's policy had contributed to the decline of 2002. Kirchner committed to reform the judicial system of the country. Moreover, Kirchner managed to remove the authoritarian military and police leadership, and also took steps to reform the highly politicized Supreme Court, and battled impunity for human rights abusers among the military officials (Freedom House, 2018e). Moreover, Nestor de Kirchner moved Argentina closer to Hugo Chavez's Venezuela and Fidel Castro's Cuba. Lawlessness and protests from the indigents remained a serious issue in Argentina, as well as corruption, although Kirchner made a very important effort in combatting corruption, and the country was ranked 108 out of 146 in the list by Transparency International Corruption International Index (Freedom House, 2018e). Freedom of press, which had been severely tested during Menem's government was generally guaranteed, especially due to the detriment of the public institutions; however, the censorship of one of Kirchner's own journalists led to the dissolution of the free press group (Freedom House, 2018e). In terms of discrimination, while the Constitution guarantees freedom of religion, the Jewish community, which makes up the largest community in Latin America, faced discrimination and attacks by Nazi groups. The investigations into the 1994 car bombing of the Argentine Jewish Mutual Association (AMIA) continued to be sidelined and not a single person was punished for the attack which caused the death of 85 people (Freedom House, 2018e). Personal security became an issue in Argentina, with crime rate doubling in the country and tripling in Buenos Aires, especially during the years of government by Menem, while the country also registered an increase in drug consumption (Freedom House, 2018e). The indigenous community in Argentina, which is estimated between 700,000 and 1.5

million people, is largely neglected, and 70% of the indigenous people lack titles to their lands; women participate to the life of the country, but as we have seen in the first chapter of this part, domestic violence and machismo are very present in the Argentinian society (Freedom House, 2018e).

If we look at Argentina's state of democracy for the year 2015, the last year of our analysis, we can see that the progress made in 2005 had been maintained, as outlined in the graph below:

Graph 111: Freedom House rating Argentina 2015



(Source: Freedom House, 2018f)

The scores for 2015 is particularly important if we consider that the country managed to secure the good results obtained in terms of freedom status, civil liberties and political rights, despite the growing instability that it experienced during Cristina de Kirchner's government, and the manipulation of data which usually is negatively correlated with democracy and enjoyment of important rights such as freedom. In 2015, the popularity of Cristina de Kirchner was in decline, both due to inflation and insecurity in the country: the peso was devaluated by 19%, and inflation grew despite the government's price watch agreement, and several problems continued to persist in the country (Freedom House, 2018f).

Just as we saw for Brazil, the 2015 Freedom House report for Argentina breaks down the score for each of its components. The whole dimension of political rights gets a total of 31/40, with electoral processes scoring 11/12, as Kirchner won the 2003 elections with 33% of the votes, and would be constitutionally banned from the 2015 elections as she already served 2 mandates; political pluralism and participation gets a total of 14 out of 16, as the right to organize political parties is generally respected, and although the Peronists have been a dominant party in politics since 1946, Freedom House (2018f) argues that opposition parties have a real opportunity to compete for power; functioning of government gets a mere 6/12 as unfortunately, much in common with Brazil, corruption is very common and plagues the system, and during the year there were several corruption scandals, involving public charges. In terms of civil liberties, the country gets a total of 49 out 60, with freedom of expression and belief scoring 14/16, due to the fact that journalists are generally free to express their opinions, although Cristina de Kirchner has been known to pressure opposition media through verbal attack, and in 2011, a law against terrorism was passed which was used against journalists, and while

freedom of belief is recognized, the Jewish community, as we have already seen, faced frequent discrimination; association and organizational rights gets 11/12, as freedom of assembly and association are generally respected and citizens can make their voice heard; rule of law gets 11/16, as corruption, delays and inefficiency slow down the country, the Supreme Court remains fairly independent, and police misconduct is endemic, prisons are overcrowded, similar to Brazil, and drug related violence increased in a decade, as the country became an operation base and transit route for drugs. The Supreme Court declared unconstitutional the laws passed to protect the military for their crimes during the dirty years, and Cristina Kirchner started to prosecute officials involved in the so-called dirty war, while indigenous people are largely discriminated and neglected. The country gets 13/16 for personal autonomy and individual rights as there are harsh restrictions on foreign currency transactions, women can actively participate in the life of the country and in 2013, they held 35% of the seats; abortion is still illegal with many illegal abortions (estimated at 500,000 per year) and the country passed a domestic partnership law in 2002 and in 2010 became the second country in the Americas, after Canada, to legalize same-sex marriages (Freedom House, 2018f).

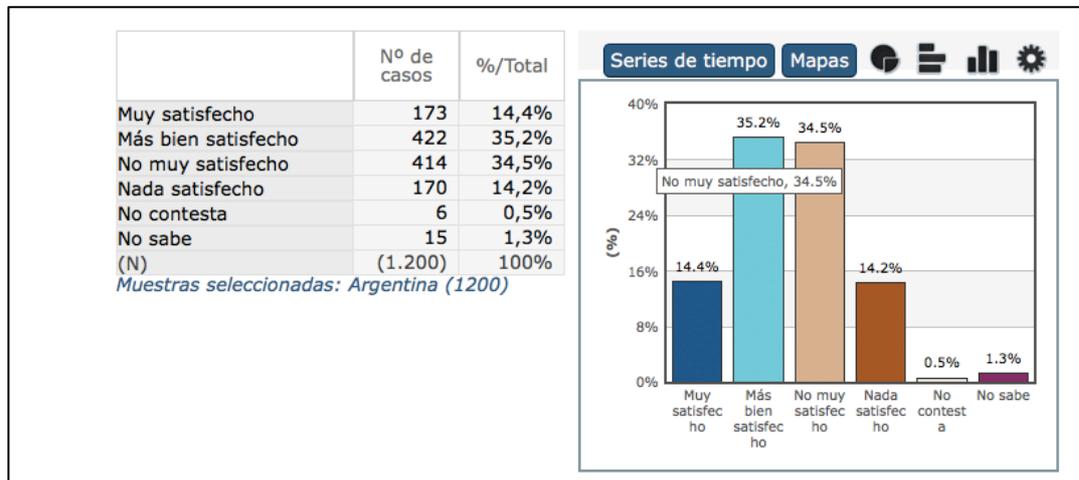
To conclude this brief section, outlining the state of democracy and freedom according to Freedom House in the 25 years taken into account, we can see that the country managed to maintain good results in terms of freedom rating, political and civil rights and liberties, despite the growing problems that the country had to face, such as one of the worst economic crisis that a country ever faced, political instability, high crime and corruption, and data manipulation.

### 6.3 Latinobarometro: Perceived Democracy in Argentina (1990-2015)

After having analysed democracy in Argentina according to Freedom House, we can see how democracy is faring according to the perception of citizens, just as we did for Brazil, in order to mirror more closely how citizens perceive democracy, what they think about it and how satisfied they are with the quality of democracy. As we have said already for Brazil, we need to mirror the broader concept of democracy, in the sense of *government by the people for the people*. We can look at changes in the time span from 1990 to 2015, choosing the years 1998 (for consistency with the analysis by Freedom House), 2005 and 2015, to see the evolution of democracy and how citizens perceived it. As we have already seen, those are very complicated years for Argentina, and while Freedom House records some progress (in 1998 the country had lost a point in terms of freedom rating, civil liberties, and political rights due to a political scandal, which it later recovered), we must remember that it was a time of great troubles for Argentina, of deep economic crisis and also of political difficulty.

The graph below outlines how satisfied citizens were with democracy in 1998:

Graph 112: Argentina -Level of satisfaction with democracy 1998

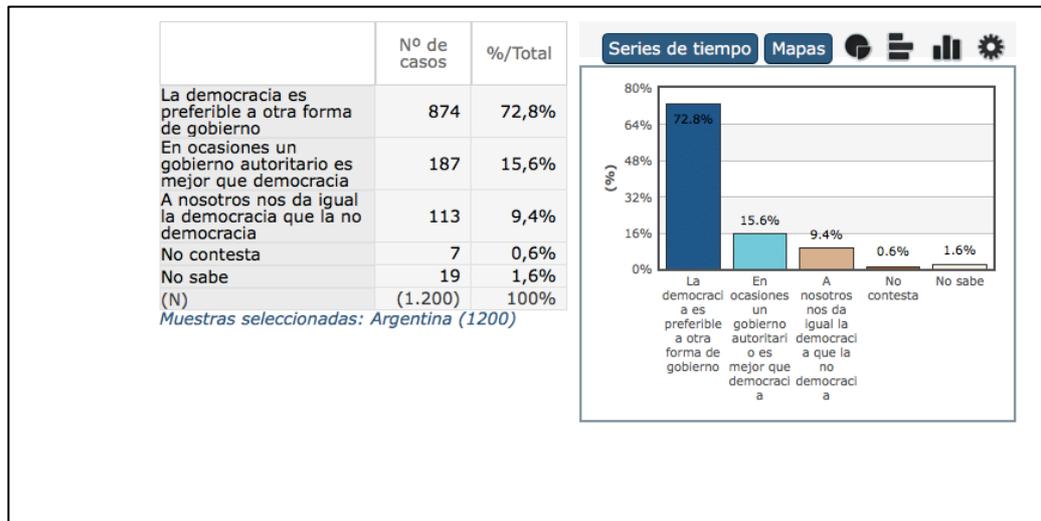


(Source: Latinobarometro, 2018b)

While Freedom House listed Argentina as free in 1998, and gave it a democratic score of 3 (with 1 being the best score, and 7 being the worst), the majority of the citizens were mostly satisfied with democracy (35.2%), and very satisfied (14.4%) while 34.5% were not very satisfied and 14.2% were not at all satisfied (a total of 48.7% were somehow not satisfied with democracy while), while 49.6% of people were somehow satisfied with democracy.

Moreover, support to democracy was extremely strong, as the following graph outlines:

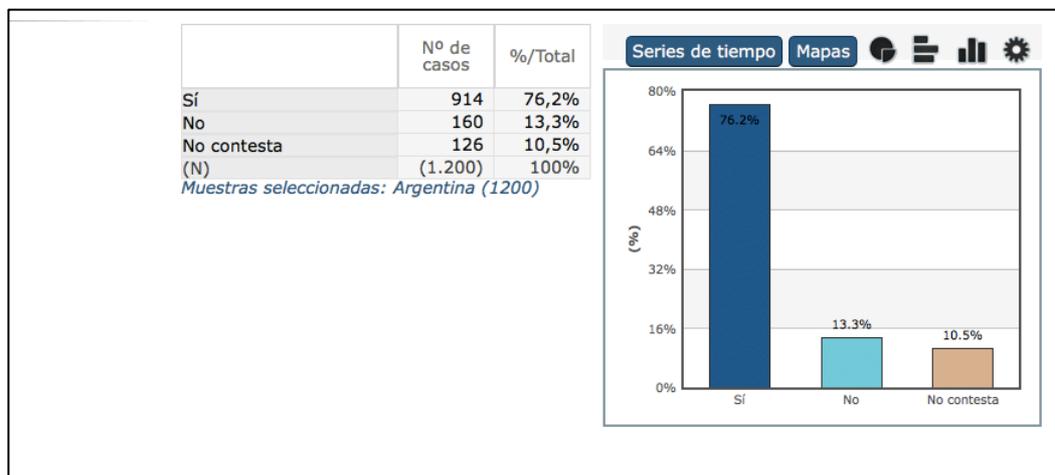
Graph 113: Argentina -Political Preference 1998



(Source: Latinobarometro, 2018b)

As the graph shows, support to democracy is extremely high as the majority of the people (72.8% against 47,6% in Brazil) still believe that democracy is the best form of government, while 15.6% think that sometimes an authoritarian regime is better than a democratic one, while 9.4% think that their life would not be affected whether or not the regime was democratic. Moreover, as the following graph shows, an overwhelming majority of the population would be ready to defend democracy if democracy was threatened (76.2% against 13.3% who instead would not defend it):

Graph 114: Argentina -Support to democracy 1998

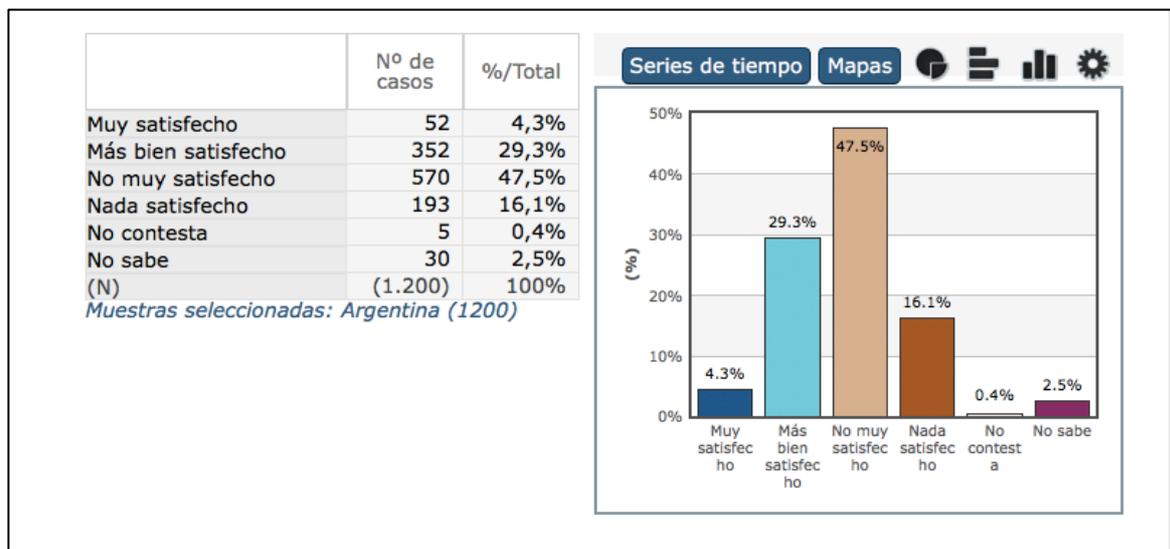


(Source: Latinobarometro, 2018b)

These figures are significantly higher than what they were for Brazil, possibly because Argentina endured a worse dictatorship than Brazil, known in the world for its *desaparecidos* and the violence that characterized it.

If we look at data for 2005, when the country, according to Freedom House, had recovered in terms of freedom rating, civil liberties and political rights, but had also endured a very severe economic crisis, we can see that satisfaction with democracy had significantly changed, as the next graph shows:

Graph 115: Argentina – Satisfaction with democracy 2005

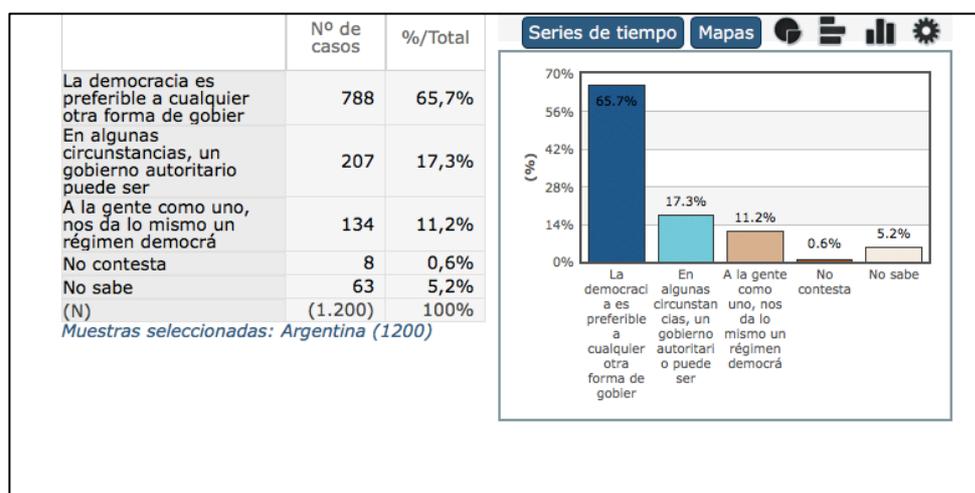


(Source: Latinobarometro, 2018b)

Things have changed significantly, the level of satisfaction with democracy is now low, as 47.5% of the population is not very satisfied, while 16.1% is not at all satisfied (a total of 63.6% of people somehow not satisfied, while 29.3% of people are quite satisfied and 4.3% are very satisfied (a total of 33.6% of somehow satisfied). The level of non-satisfaction has increased significantly, possibly due to the inability of politics to respond to the economic instability and crisis of the turn of the Millennium.

The next graph outlines support for democracy for the year 2005, showing however that support for democracy has somewhat decrease as well:

Graph 116: Argentina – Political regime preference 2005

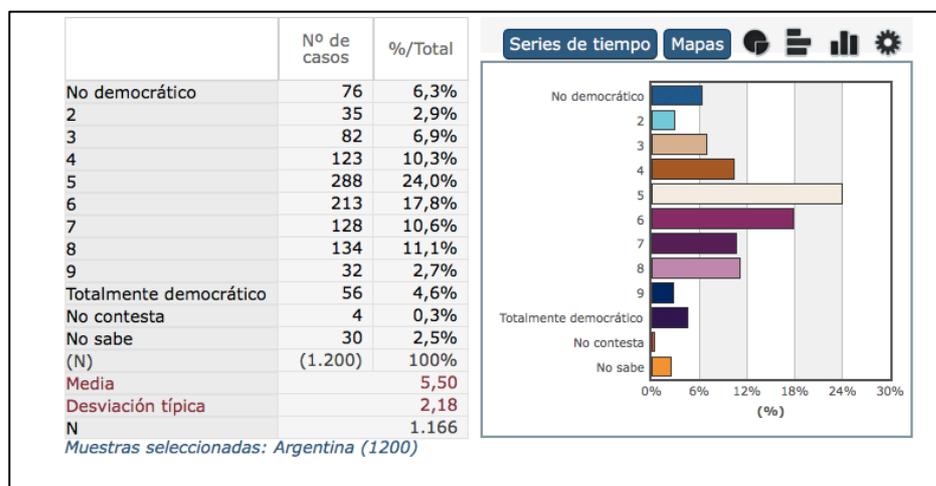


(Source: Latinobarometro, 2018b)

As the graph above shows, now 65.7% (against 72.8% in 1998) think that democracy is the best possible form of government, while 17.3% (against 15.6% in 1998) believes that in some occasion an authoritarian government is better than a democratic one. The number of people that do not know basically remains unchanged, showing a total dissatisfaction with democracy, while objective data from Freedom House tell us that in the 7 years from 1998 to 2005, the country recorded very important results in terms of freedom (one of the main components of democracy) and political rights and civil liberties, recovering from the political scandal of 1998, and able to sustain good results despite the economic problems that it endured.

For Argentina as well, data from 2005 do not contain the question about support for democracy anymore, but contain a very important question, which is how democratic citizens think their country is on a scale from 1 to 10. The graph below highlights results:

Graph 117: Argentina – Democratic perception 2005

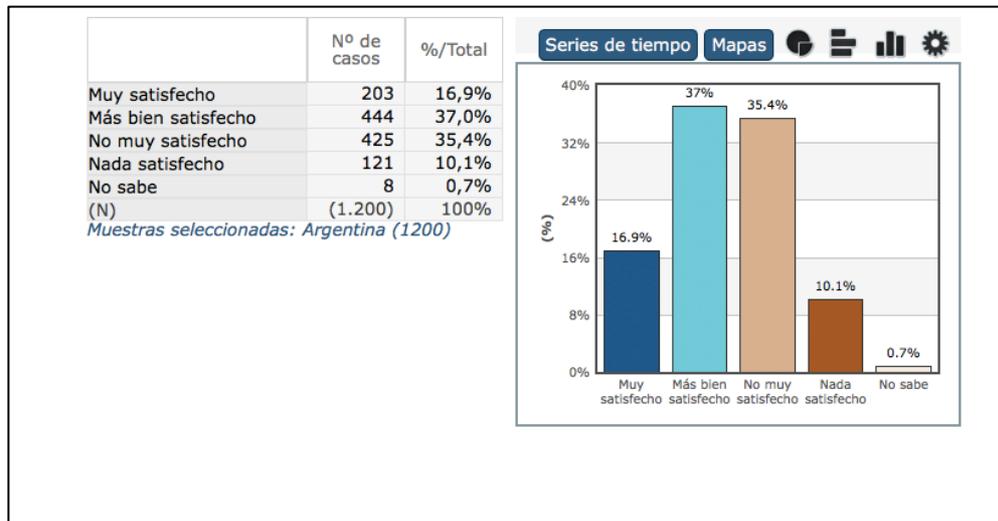


(Source: Latinobarometro, 2018b)

Similar to Brazil, results show that according to Argentinians, in 2005, Argentina is not a totally democratic country, but the majority of the people indicate that on a scale from 1 to 10, the country scores a 5 in terms of democracy, which is a very low result.

Finally, data from the last year of our analysis, 2015, show that despite a significant loss of trust in 2005, Argentina was able to recover some satisfaction with democracy, possibly due to the economic recover that took place in the 10 years that elapsed, as the next graph shows:

Graph 118: Argentina – Satisfaction with democracy 2015

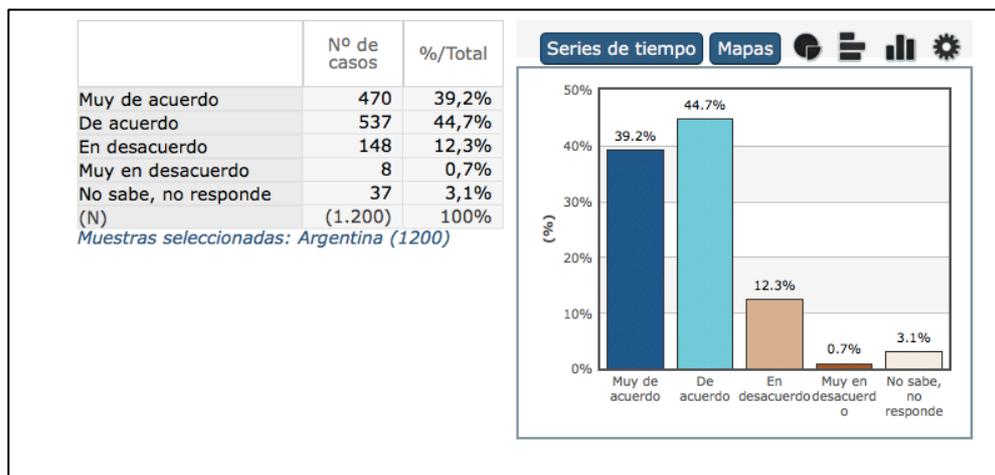


(Source: Latinobarometro, 2018b)

As the graph below shows, the level of satisfaction with democracy increased again to level similar to 1998, with 37% being quite satisfied with democracy (a total of 53.9% somehow satisfied) while a total of 45.5% is not satisfied with democracy (35.4 not very satisfied and 16.9% not at all satisfied) showing a renewed satisfaction with democracy.

Moreover, as the next graph outlines, an overwhelming majority of the people believes that democracy is the best form of government:

Graph 119: Argentina – Support to democracy 2015

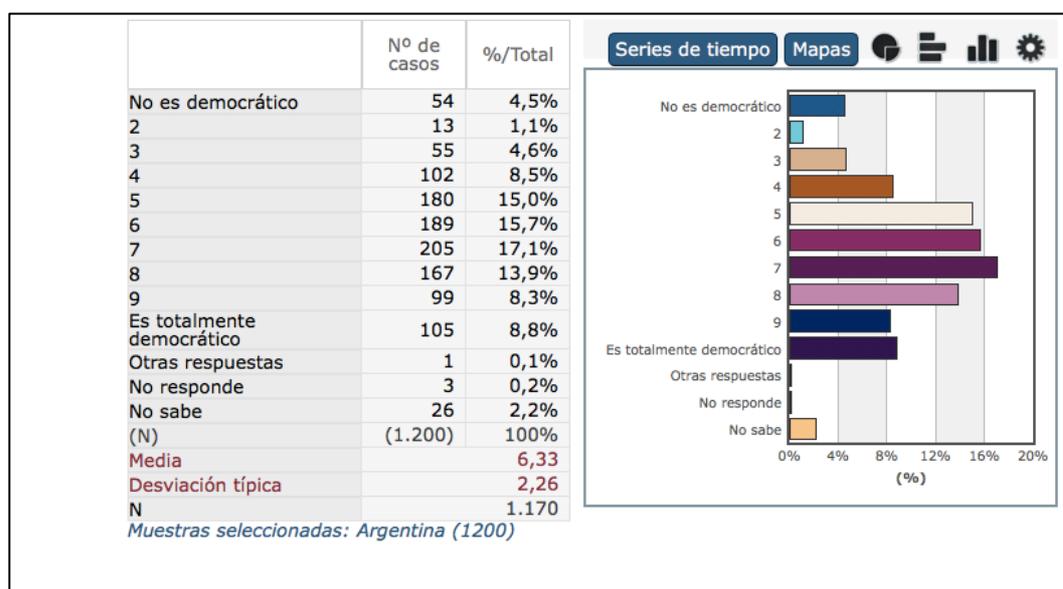


(Source: Latinobarometro, 2018b)

As we can see, 83.9% of Argentinians now believe that democracy is the best form of government, an increase by about 17% compared to 2005, while less people than in 2005 (13% in 2015 against 28.5% in 2005) do not agree that democracy, although it might have problems, is still the best form of government.

Moreover, as the next graph shows, Argentinians believe that their country is quite democratic:

Graph 120: Argentina – Democratic perception 2015



(Source: Latinobarometro, 2018b)

As can be seen, there is significant progress with respect to the year 2005, as in that year the majority of the people thought that on a scale from 1 to 10, Argentina fared 5 in terms of democracy, while now the majority of the people think that Argentina is faring 7 in terms of how democratic the country is, but many people also give a 8, a 9 and a 10 to the country. These results are totally different from what we have seen for Brazil, as in Brazil citizens are rather dissatisfied with the politics in their country and think that their country is not very democratic, mainly due, possibly, to the high level of corruption and the high level of violence, together with the high level of poverty and the lower education of the Brazilians. There seems to be a very high correlation between the level of education (Argentina is known for its high level of education and life expectancy) and the level of satisfaction with democracy. Moreover, economic crisis seem to be taking a very high toll on the level of satisfaction with democracy, as we have seen that right after the worst economic

crisis that a country could ever face, Argentina was scoring very low in terms of democracy, but 10 years later, although things were still complicated, the perception of democracy had significantly improved. While there is not necessarily a direct correlation, citizens tend to identify economic development with good levels of democracy, recognizing that a good solid economy is a dimension of democracy as it gives the possibility to overcome poverty, protect health and attain a good level of education.

To conclude this brief section on the state of satisfaction and perception of the Argentinian citizens about democracy, we have seen that Argentinians are quite satisfied with democracy, with good results and many achievements the country managed to record in the 25 years taken into account, and with the ability to overcome one of the worst economic crisis ever. Moreover, faith in democracy is very high and citizens recognize that the country is quite democratic, despite having to address some challenges, as we will see in the next sections.

#### **6.4 Human Rights Watch: Human Rights in Argentina (1990-2015)**

As we have already seen for Brazil, human rights protection is a very important part of every sound democracy, as there is a direct correlation between the good functioning of democracy and the protection of human rights. This is particularly relevant for the countries of our analysis, as they all experienced very difficult dictatorships, with a very difficult history of human rights abuse. We can now look at how Argentina fared in terms of human rights in the years chosen to conduct our analysis: 1998 , 2005 and 2015.

As Human Rights Watch (2018) reports, in 1998 the main concerns for Human Rights were represented by police abuse, very common for Brazil as well, the attacks and threats against independent journalist and the unwillingness by the government to bring to justice the perpetrators of the abuses during the military regime of 1976-1983. Among police abuse in Argentina, we can recall the abuse of force by the police against protesters, like the one in August 1998 against protesters asking for unpaid salaries, in which the police used very abusive and violent means to suppress the protest. Moreover, in this year, police was involved in the death of several people who had been detained, but no punishment was issued for the police, although the circumstances were rather clumsy.

The Argentinian law grants protection of rights for gay, lesbian and transvestite people, but in the year, several sex workers, prostitutes and transvestites suffered police abuse and preventive detention for no good reason. At the same time, reforms of the Buenos Aires police began, with the police passing under civilian control already by 1997 and the dismissal of police officers accused of corruption and covering up criminal activity.

Although the law recognizes freedom of speech, journalists in 1998 faced several threats, and, the vice-president of Photojournalists' Association faced threats on the anniversary of the murder of another journalist (Cabezas in 1997, who had been investigating on the Buenos Aires police). Generalized threats against journalists continued throughout the year.

Moreover, while Argentina participated in the drafting of a convention to create an international criminal court, the government continued to refuse to process the perpetrators of human rights abuse during the military regime, and also refused to collaborate with the Spanish judge Baltazar Garzon in the investigation of 600 Spanish citizens in Argentina during the military regime. Furthermore, the Menem government was just reluctant to bring the perpetrators of abuse during the military regime to justice, throughout the year (Human Rights Watch, 2018).

If we look at the situation of Argentina in 2005, after the worst economic crisis that a country could face, as Human Rights Watch (2006b) reports, the theme of bringing to justice the perpetrators of abuse during the military years continued, along with attention for the difficult condition of prisons in Argentina.

In particular, as Human Rights Watch (2006b) reports, the year was marked by killings of inmates, riots in overcrowded prisons and the inability of the Argentinian government to offer a speedy trial, as the majority of inmates had not received trial yet. Moreover, the country was severely reprimanded for its prisons' conditions, until in May 2005, the Supreme Court ruled that all prisons in Argentina had to abide by the United Nations' *Standard Minimum Rules for the Treatment of Prisoners*, and that children under the age of eighteen and sick people could be detained. Also common in 2005, was the use of torture by the police in the Buenos Aires area, and no measure was undertaken to combat this.

In terms of bringing the perpetrators of abuse during the military regime to justice, the efforts continued. In 2005, the Supreme Court ruled as unconstitutional the two amnesty laws (Full Stop and Due Obedience) passed in the late 1980s, and also some of the pardons passed by Menem were ruled as unconstitutional. While the attempts to prosecute the abusers were slow mainly due to the appeals by the defendants, progress was remarkable in this sense.

In terms of women's rights, women still faced discrimination and their reproductive rights were often violated: women did not have the right to seek sterilization as a reproductive means and had to obtain marital permission, have 3 children and be over 35 years of age to do so, and abortion was still illegal in the country. Freedom of expression and laws guaranteeing it were stalled in 2005 (Human Rights Watch, 2006b). Finally, in the same year, the UN Committee against Torture expressed concern over Argentina's high number of reports of torture and ill treatment, overcrowding of prisons, and conviction of minors; moreover, the Argentinian Government admitted partial responsibility in the AMIA bombing of 1994 (Human Rights Watch, 2006b).

If we look at the protection of human rights in the year 2015, we can see that the AMIA bombing, 21 years later was still not resolved. Investigations were stalled due to the refusal by the Iran government, with which Argentina had signed a MoU in 2013, to interrogate Iranian witnesses in Argentina, and moreover, the leading prosecutor, Alberto Nisman, was found dead only days after filing a former complaint against the government of Cristina de Kirchner and her foreign affairs minister for conspiring with Iran to undermine the investigation. The claim by Nisman was later dismissed and it was not determined whether Nisman had committed suicide, while

trial against several officials, among them Menem, for allegedly interfering with the investigation, began.

As Human Rights Watch (2016b) reports, the government harassed judges accusing them to seek to destabilize the government, as it was the case for the judges who tried to conduct a rigorous investigation for the death of Nisman. Attempts to bring the perpetrators of abuse during the military regime to justice, continued, after the amnesty laws were declared unconstitutional, and Argentina had conducted a significant work in identifying disappeared children, and in reuniting them with their biological families: in this sense, the National Bank of Genetic Data carried out very significant work (Human Rights Watch, 2016b).

Other issues such as freedom of expression were endangered, with the government trying to regulate access to internet and telecommunications service, and the inability to pass a law to grant public access to information held by the government. Police abuse continued to represent a serious problem for the country, with protesters having to face violence very often. Also, overcrowding of prisons, ill treatment and death by several inmates continued to plague the country. Discrimination of indigenous people was very common in Argentina, as well as discrimination of women and the disrespect of their reproductive health, in a country where abortion was still illegal (Human Rights Watch, 2016b).

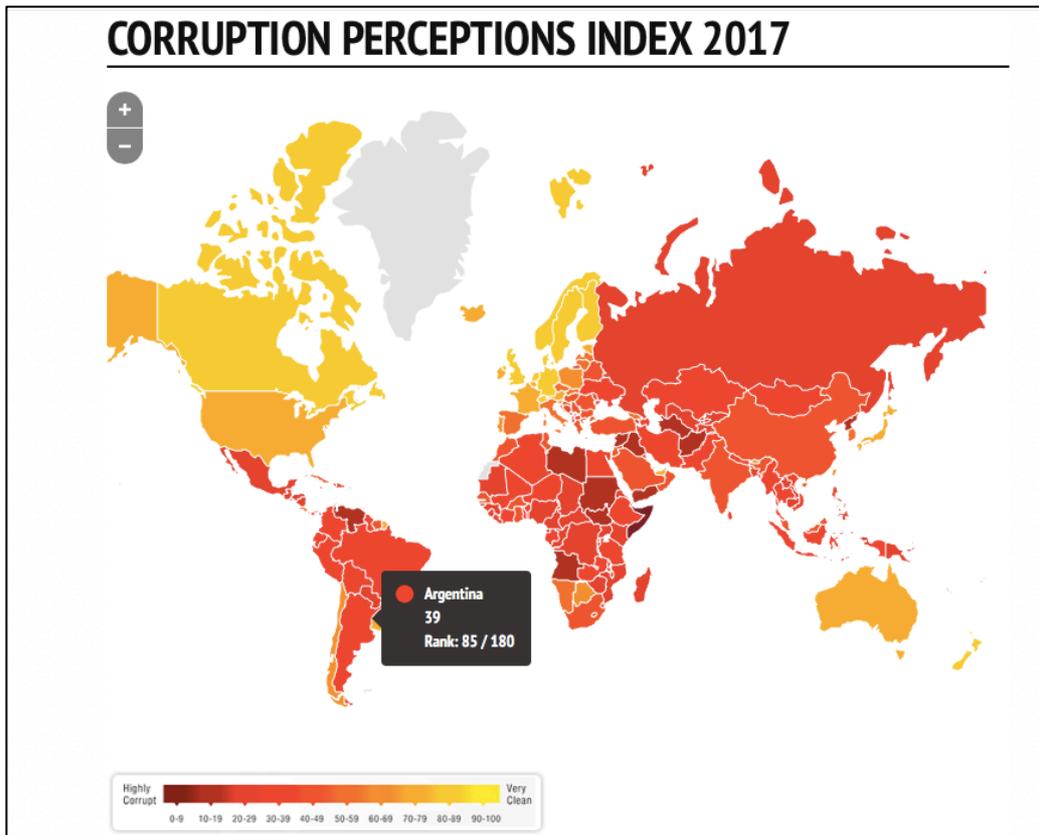
As we have seen in this brief section on human rights protection in Argentina, some themes are common with Brazil, such as the frequent abuse perpetrated by the police (although in Brazil it reaches dramatic levels, with the killing of civilians being very common), and prison overcrowding and violence. Moreover, Argentina faced a very difficult economic crisis, and the government by Cristina de Kirchner was less than transparent.

## **6.5 Corruption, happiness and other indexes (1990-2015)**

As we have seen in the previous section for Brazil, corruption is one of the main problems that a country can face, as it can stall the development of the country, and undermine the sense of legitimacy and democracy, depriving citizens of faith and trust. As we have seen for Brazil, corruption was perceived as the main problem for the country, even more urgent than poverty, and while 2017 is outside of our research year, it was necessary to speak about corruption in 2017 as it had become the most urgent issue on Brazilians' agenda.

As far as Argentina is concerned, although corruption is not considered to be as bad as in Brazil, the country is not faring very well: in 2017, the country ranked 85 (while Brazil ranked 89) out of 180, with a score of 39 (the index goes from 0 to 100, and the higher the score, the lower the level of corruption); however, although this result is not very good, it does show a slightly higher index if compared to the previous years, Argentina is faring extremely bad, with a ranking worse than countries such as Morocco, Turkey and Kosovo. The following graphs show the situation in Argentina for 2017:

Graph 121: Corruption Index 2017



(Source: Transparency International, 2018e)

Graph 122: Argentina -Ranking Corruption Perception Index 2017

**CORRUPTION PERCEPTIONS INDEX 2017**

Search

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
81	India	40	40	38	38	36	36	Asia Pacific
81	Morocco	40	37	36	39	37	37	Middle East and North Africa
81	Turkey	40	41	42	45	50	49	Europe and Central Asia
85	Argentina	39	36	32	34	34	35	Americas
85	Benin	39	36	37	39	36	36	Sub Saharan Africa
85	Kosovo	39	36	33	33	33	34	Europe and Central Asia
85	Kuwait	39	41	49	44	43	44	Middle East and North Africa
85	Solomon Islands	39	42	N/A	N/A	N/A	N/A	Asia Pacific
85	Swaziland	39	N/A	N/A	N/A	N/A	N/A	Sub Saharan Africa
91	Albania	38	39	36	33	31	33	Europe and Central Asia
91	Bosnia and Herzegovina	38	39	38	39	42	42	Europe and Central Asia

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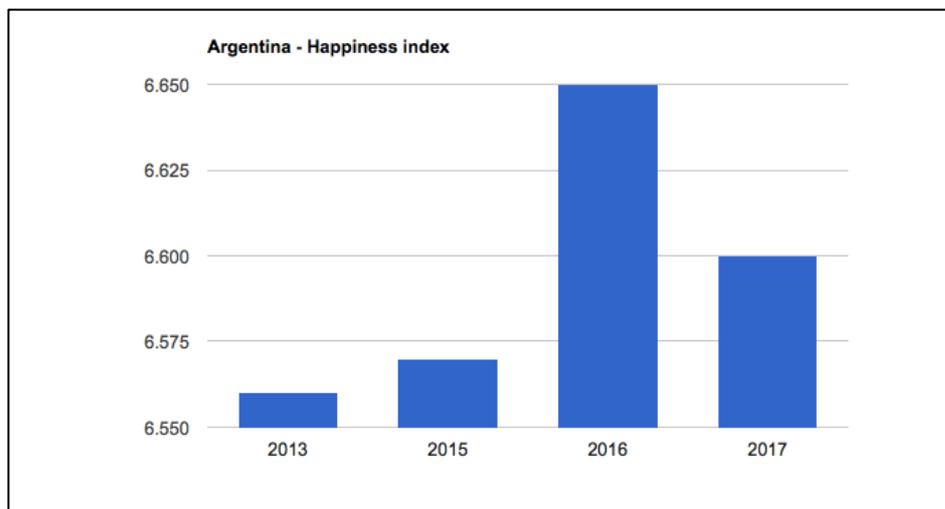
(Source: Transparency International, 2018e)

If we analyze corruption perception in the public sector in perspective for the years 1998, 2005 and 2015, we can see how the situation has actually deteriorated over time. As a matter of fact, if we look back at data from Transparency International for 1998, we can see that Argentina ranked 61 out of 85 countries (Transparency International, 2018f), faring worse than Brazil, which was ranking 46, and faring worse than countries such as Mexico, Morocco and Kosovo. However, in 2005, the surveys by Transparency International (2018g) became more exhaustive, surveying a total of 159 countries: in this year, Argentina had lost several positions, ranking 97, just below Mali, Moldava and Tanzania. Also, Argentina was faring much worse than Brazil, which was ranking 62. Finally, if we look at data from 2015, Transparency International (2015h) highlights that 10 years later, the country had

lost even more positions in its ranking, and was ranking 106 out of 167 countries (while Brazil was faring 76). As Transparency International highlights (2018a), unfortunately, despite the good results that the LAC region has achieved in the past 25 years, corruption is still very high and is perceived as one of the main bottlenecks for the countries, harming the sound development of a country. What is even more striking is that, if we look at data, we see that while Brazil is renowned for corruption, up to the point that its citizens consider it the worst problem that the country faces, Transparency International tells us that Brazil is actually faring better than Argentina, although the wide perception is that corruption in Brazil is the highest.

Just as we did for Brazil, we can use other multidimensional indexes of development and well-being to see how the country is faring. In this sense, we can look at the recently created Happiness Index, commissioned by the United Nations Sustainable Development Solutions Network in 2011, and launched in 2012, to see how Argentina is faring in this respect. Here as well, due to the recent creation of the index, our retrospective analysis will only examine data from the first year (2013) and the last year of our research (2015): in 2013, Argentina had a World Happiness Index of 6.56 (on a scale of 0 being unhappy and 10 happy), while in 2015, it had a score of 6.57 (Countryeconomy, 2018b). The following graph summarizes data from 2013 up to 2017 (even though the time span of research stops at 2015) as it is interesting to see how such a new index is evolving:

Graph 123: Argentina Happiness Index



(Source: The Global Economy, 2018b)

What the above graph shows, is that Argentina recorded significant progress in its path to development, and in 2016 recorded its highest score with an index of 6.65. Also, it is worth highlighting that the score is lower than Brazil, a country which apparently is slightly happier than Argentina.

Finally, we are unable to look at the OECD multidimensional indicator that measures well-being in the country: the Better Life Index, which compares this multidimensional indicator with the average of the OECD country. Unfortunately, due to data constraint, the OECD has not calculated a Better Life index for Argentina, so no comparative analysis can be carried out this time.

To conclude this brief section on corruption and other indicators, it can be highlighted that despite considering Argentina scoring worse than Brazil in all sectors, the perception of the country at global level is not so negative, as it is instead the case for Brazil. What appears clear is that corruption is very endemic in the whole region, and takes a very high toll on the development of the countries. It is

the case both for Brazil and Argentina, and is an element that must be taken into account by development policies aimed at reducing poverty and inequality, and fostering democracy.

## 6.6 Quality of Democracy in Argentina (1990-2015)

Just like we did for Brazil, we can now look at the quality of democracy in Argentina, according to the dimensions and subdimensions chosen by Morlino: *rule of law, electoral accountability, inter-institutional accountability, political participation, political competition, freedom, solidarity/equality, and responsiveness* (each dimension with its subdimensions). While for my analysis I will only use the same dimensions that I used for Brazil, which exclude equality and solidarity as that is our independent variable, and responsiveness and inter-institutional accountability as these two dimensions are less relevant to our research.

If we look at Morlino's analysis (2016) on the quality of democracy in Argentina, we can see that Argentina fares among the first 5 democracies in Latin America, just below Brazil, and obtains a total score of 3.62 (Brazil scores 3.68), scoring particularly well, surprisingly as Morlino remarks, in electoral accountability, as the table below, from Morlino (2016), shows:

Table 11: Quality of democracy - Latin America

Country	Rule of law	Electoral accountability	Inter-institutional accountability	Political participation	Political competition	Freedom	Solidarity and equality	Responsiveness	Total
Uruguay	3.44	3.74	3.74	4.75*	4.07	4.78	2.65	3.84	3.88
Chile	3.82	4.42	2.69	4.54*	3.71	4.78	3.00	3.84	3.85
Costa Rica	3.63	4.04	2.82	4.07*	4.39*	4.33	3.37	3.50	3.77
Brazil	2.50	4.86	3.40	4.23	4.28	4.17	2.85	3.16	3.68
Argentina	2.27	3.75	4.34	4.17	3.93*	4.17	3.09	3.26	3.62
Peru	2.46	3.07	3.57	4.12	3.89	3.50	2.55	3.03	3.27
El Salvador	2.19	3.77	3.45	3.53*	3.67*	3.98*	2.44	2.98	3.25
Paraguay	1.81	3.70	3.39	3.58	3.54	3.58	2.31	3.23*	3.14
Mexico	2.37	3.47	3.25	3.44	3.68	3.11	2.99	2.78	3.14
Bolivia	2.16	3.50	3.38	4.08	2.70	3.48	2.33	2.97	3.08
Guatemala	2.37	3.86	2.27	3.30*	3.92	3.37*	2.13	2.94	3.02
Colombia	1.77	3.10*	3.33	2.66	3.54*	3.22	2.31	3.07	2.88
Ecuador	1.74	2.38	1.96	3.74	3.42	3.22	2.50	3.49	2.81
Nicaragua	1.70	1.15	3.49	3.07	2.92	2.21	2.41	2.86	2.48
Venezuela	0.92	1.85	2.67	2.91	2.74	2.00	3.10	3.19	2.42

(Source: Morlino, 2016)

As the table shows, referring to figures for the time span 2009-2012, Argentina ranks fifth in terms of quality of democracy, ranking just one position below Brazil, with a total of 3.62 out of 5. In particular, Argentina obtains a very poor score in the Rule of Law dimension, scoring a 2.27, below Brazil's 2.50 (which was already a very poor score), and faring lower than Brazil in almost all dimensions, but scoring a little better in terms of solidarity and equality, where Brazil scores very poorly, and ranking 5 out of the 15 countries analyzed by Morlino (2016). Argentina's quality of democracy can be pictured more easily in the graph below:

Graph 124: Quality of democracy in Argentina 2009-2012



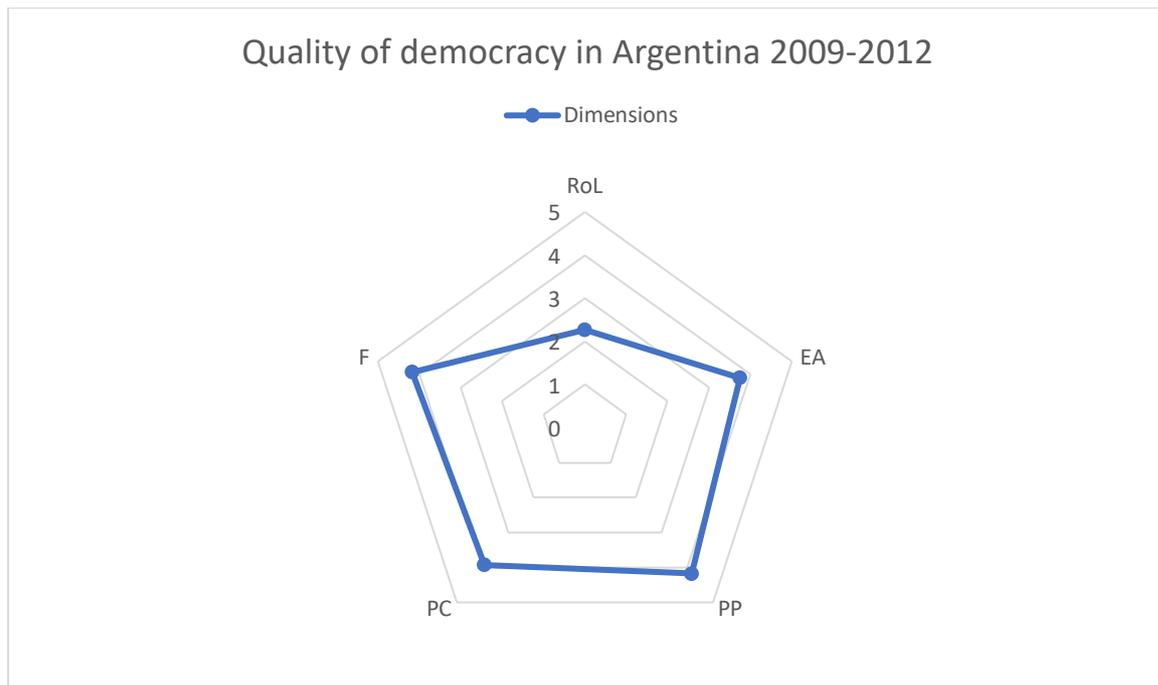
(Source: Data from Morlino, 2016)

As the research conducted by Morlino (2016) has shown, while Argentina ranks below Brazil, it has only one dimension which is very problematic and below 3, *rule of law*, while Brazil has two: *rule of law and solidarity and equality*; Argentina also has a very high score for *inter-institutional accountability*. *Political competition and freedom* score very good as well, above 4, and also for *solidarity and equality*, Argentina gets a quite good score, with 3.09, above Uruguay and Chile, which rank first and second in terms of overall quality of democracy in the list elaborated by Morlino (2016).

If we follow what we have done for Brazil, and take out the three dimensions of *solidarity and equality*, as *inequality* is our independent variable, and then we take out *inter-institutional accountability* and *responsiveness*, as this dimensions are less

relevant to our research and less impacted by inequality, we can see that we get a graph as follows:

Graph 125: Quality of democracy in Argentina 2009-2012

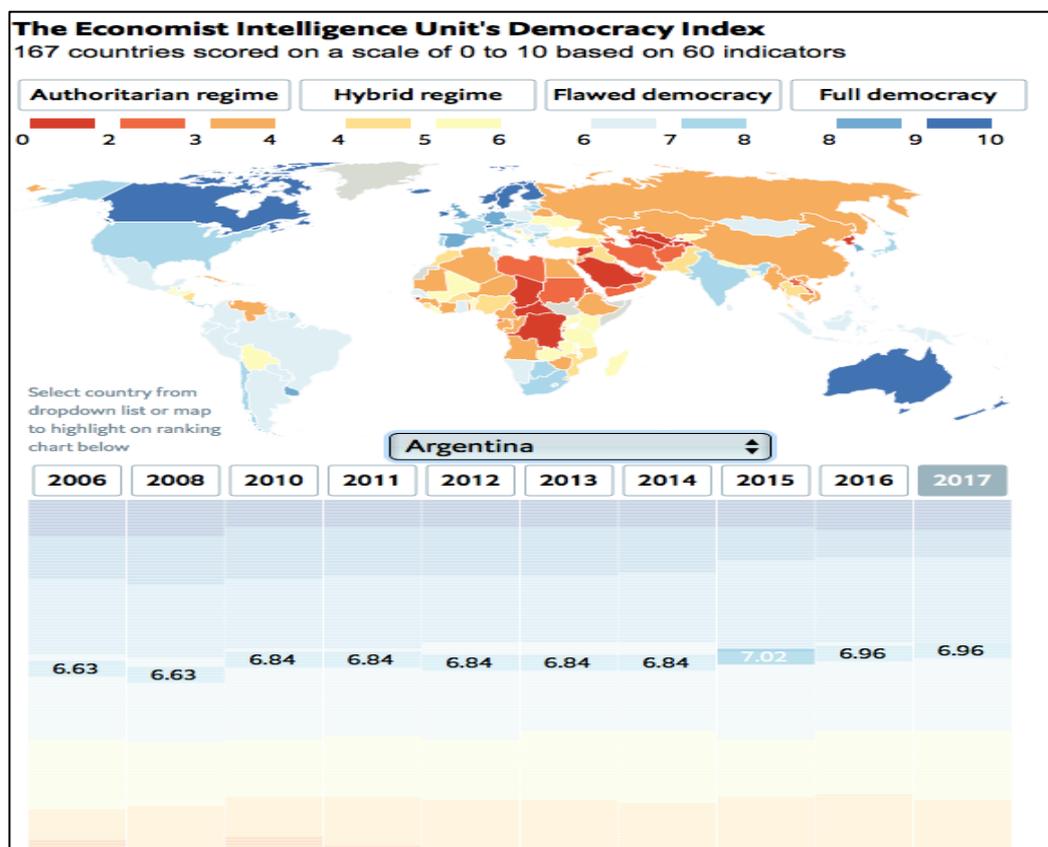


(Source: Data from Morlino, 2016)

As we can see from this modified graph, which includes only the most relevant dimensions which can be impacted by inequality, we see that here as well, just as in the case of Brazil, we get a much more balanced figure, with very good scores for all dimensions, except rule of law, which scores very low, even worse than Brazil, while the others are almost all near or above 4. If we aggregate the 5 dimensions selected, just as we did for Brazil, we can see that for 2013, Argentina gets an average score of 3.65, while Brazil got a 4. This result is consistent with Morlino's 3.62 (comprising all 8 dimensions) as we have taken away the dimension of solidarity and equality, responsiveness and interinstitutional accountability.

After having analyzed the quality of democracy in Argentina according to the research carried out by Morlino, we can refer to other indicators of democracy, like we did for Brazil, and analyze the democracy index developed by the Economist Intelligence Unit, to see how Argentina is faring:

Graph 126: Argentina Democrac Index



(Source: The Economist Intelligence Unit, 2018b)

As we can see from the graph below, Argentina, like Brazil is considered as a flawed democracy, with scores around 6 (with only a 7 in 2015), while Brazil was recording scores of 7 until 2015, and its score decreased only in the last three years. What we can assume, looking at the breakdown of dimensions of Morlino and its

subdimensions, is that the fact that the rule of law dimension scores so poorly, definitely takes a very high toll on the overall index of democracy as elaborated by the Economist Intelligence Unit. Also, we know for what we have seen both in the previous and in this chapter, that there has been a very strong data manipulation, that alters the sense of democracy and undermines the rule of law. Moreover, as we have seen, the press is often intimidated and the Cristina Kirchner's government has many times tried to control the press, thus decreasing the freedom dimension. All these data is consistent with the lower quality of democracy in Argentina, with respect to Brazil: as we have seen, while Argentina fares better in the dimension of solidarity and equality, not presenting the great differences that Brazil has, it scores lower in all dimensions analyzed by Morlino (2016) and is consistent with the findings of the Economist Intelligence Unit, which show a slightly lower quality of democracy in Argentina compared to Brazil.

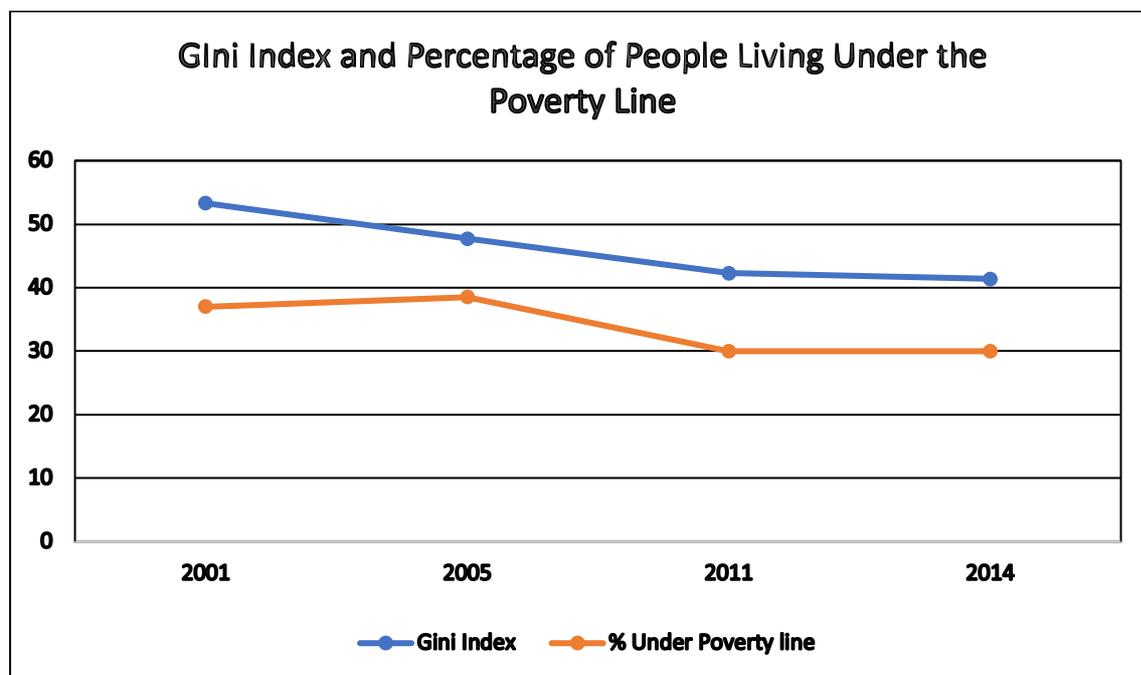
To conclude, as this brief introductory section on the work carried out by Morlino (2011 and 2016) has tried to show, Argentina has suffered from a flawed quality of democracy, with in particular, a very low score in the rule of law dimension; at the same time, we have to bear in mind that the country endured severe economic problems, which might have partially impacted its democratic features (there is a positive correlation between economic crisis and worsening of democracy in general). While differences in classes are not as severe in Argentina as they are in Brazil, the next section of this chapter, will try and see how the quality of democracy evolved in the time span 1995-2015, using the dimensions identified by Morlino (2011 and 2016).

## 6.7 Poverty, inequality and Quality of Democracy: Data analysis

After introducing the research by Morlino (2016) carried out for Argentina, we can now look at the situation of Argentina in terms of the relationship between the quality of democracy and its level of inequality, in a similar way as it was done for Brazil in Chapter 4. As we have seen during the fifth chapter and in the first part of this chapter on Argentina, we know that Argentina, in comparison with Brazil, started in a better position, with universal education and healthcare, and enjoyed a glorious past, in which it was regarded as the most developed country of Latin America. Yet, we have also seen that by the turn of the millennium, the country was swept away by one of the worst economic crisis a country could ever face, which led to political instability and took a very high toll on the life of Argentinians. Yet, Argentina was very resilient and able to recover from the economic crisis and has managed to accomplish almost all of the MDGs; Nestor Kirchner's government first and Cristina Kirchner 's government later, implemented many social programs to help the most vulnerable segments of the society. In line with the expansion of Brazil's social programs, Argentina was trying to implement social programs to reduce hunger and battle poverty, as acknowledged by FAO's Director-General Graziano da Silva in 2015 (Telam, 2015). Yet, at the same time, in the last 10 years, Argentina experienced severe manipulation of data, and is considered by some think tanks as a flawed democracy, it ranks below Brazil in terms of quality of democracy according to Morlino (2016) and ranks 5 out of 15 democracies evaluated by Morlino. In this section, I will review the relationship between quality of democracy and inequality.

The first graph we can look at, has to do with income inequality, measured with the Gini, and how poverty has evolved, in the time span taken into account, as detailed by the graph below:

Graph 127: Argentina – Gini Index and percentage living under poverty line 2001-2014

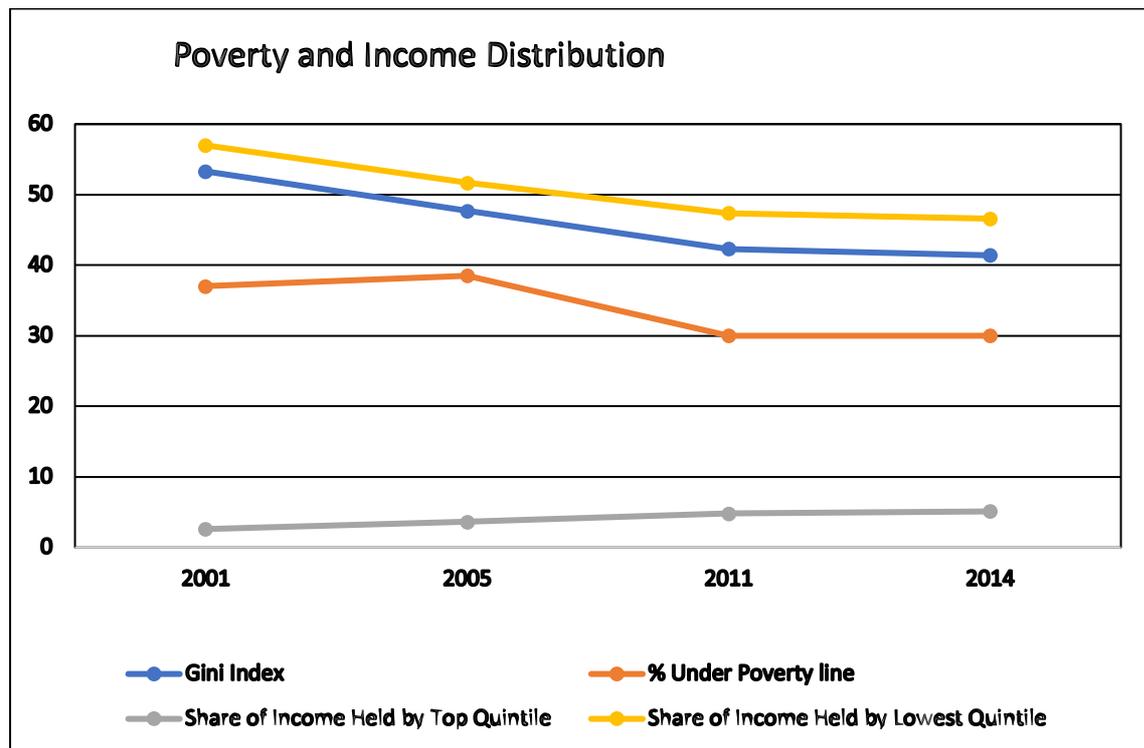


(Source: Data from World Bank 2018b and CIA World Factbook, 2018)

As we can see from this first graph, first of all, is that data availability for Argentina, as we have already discussed during the fifth chapter, is a big issue: as a matter of fact, the World Bank did not issue data for poverty lines before 2016, and percentages of the population living under the international poverty line had to be obtained by other sources, in this case the CIA World Factbook. If we look at the graph itself, we can remark several things: first of all, if we analyze the graph within Argentina, we can see that there was a constant reduction in Gini, income inequality over the period taken into account, from 53.3% in 2001 to 41.4% in 2014 (here as well, unavailability of data from the World Bank for the year 2015 forced to end the research in 2014), with a very significant reduction of Gini in 14 years, while poverty

was not reduced as significantly, as a matter of fact, we start with 37% of the population living below the poverty line, then we have a big increase in 2005, to 38.5% due to the heavy economic crisis that hit the country in 2002, then we reach a level of 30% in 2011, which continues to be the same in 2014, the last year for which data are available. This is consistent with the other figures provided in the first chapter, issued by CIFRA. However, we have to bear in mind that the government heavily manipulated data during the mandates of Cristina Kirchner, so we might not know the real extent of the issue, both for poverty and inequality. If we look at this graph in comparison with Brazil, we see conflicting results, as we have very high inequality in Brazil, higher than in Argentina, and lower poverty lines. This is possibly due to the social programs implemented in Brazil under the PT government, with Lula and Rousseff, which would lead to reduce the percentage of people leaving under poverty lines (we can bear in mind what was said in the first chapter of Part I, that poverty lines are easy to work with, as bringing a person above the poverty line would only require to improve their salaries a few cents sometimes), but also to the way the growth cascaded in the last 15 years, benefitting the highest level of the society, and keeping the historic inequality of Brazil constant.

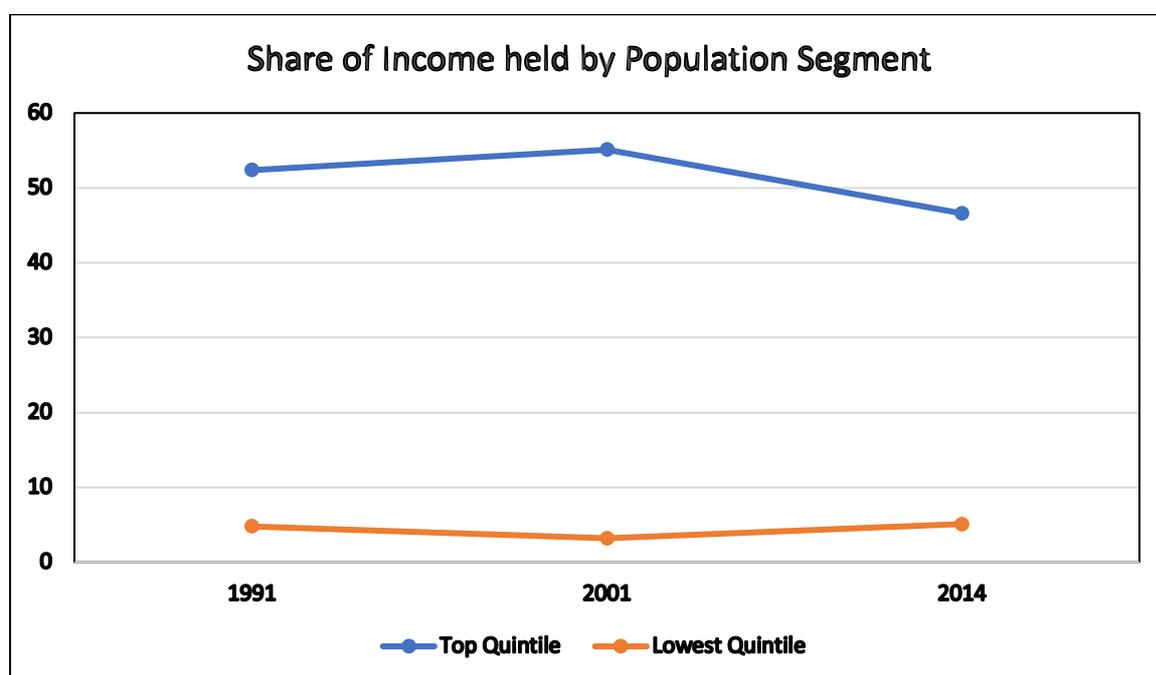
Graph 128: Argentina – Poverty and Income Distribution 2001-2014



(Data source: World Bank, 2018b and CIA World Factbook, 2018)

If we look at this graph on income distribution, which this time has to use quintiles instead of the top and bottom 10% to use data from the World Bank Data, we can see that the situation is slightly better than what we have seen for Brazil: this time, the lowest quintile is growing, even if slightly, and the growth by the top 20% is decreasing by 10% in 14 years, justifying the reduction in Gini that we have seen in Argentina in the last 14 years.

Graph 129: Argentina – Share of income held by Population segment 2001-2014

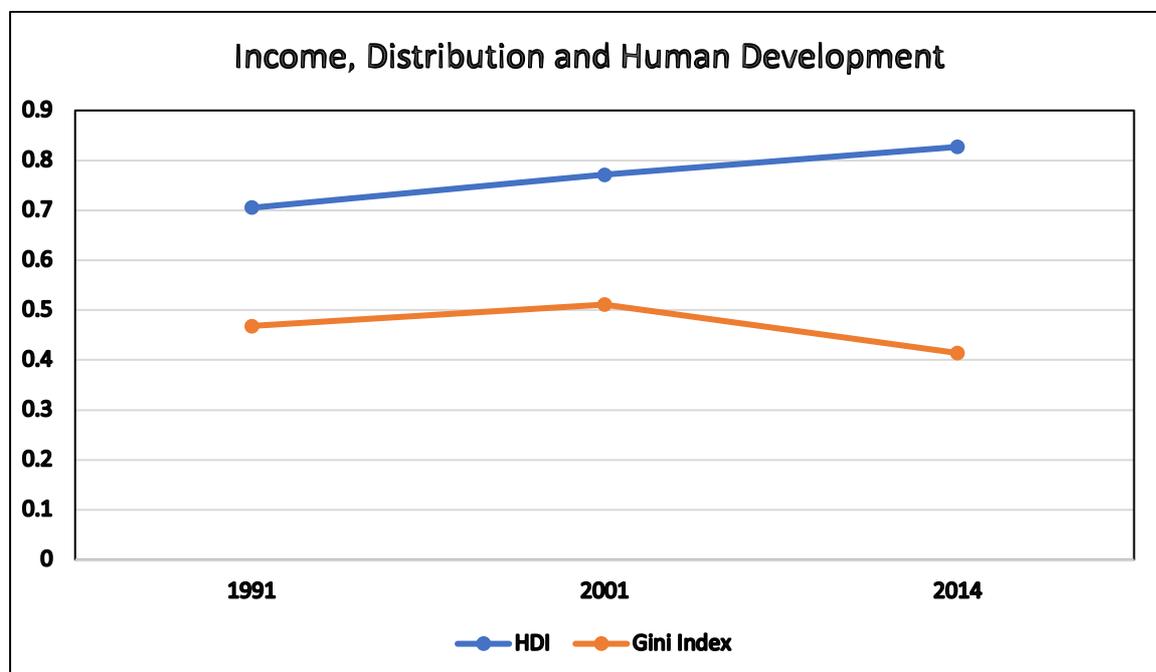


(Source: Data from World Bank, 2018b)

As the graph above shows, while there has been a reduction in the growth of the top 20% after the great economic crisis (but there was a very remarked growth of the top quintile up to the years leading to the economic crisis of 2002), from 52.4% to 46.6% in 25 years, the growth of the bottom quintile has been extremely low and substantially has remained the same, from 4.8% to 5.1% in 25 years, which is increasing the inequality of the country as there the top quintile is earning 10 times more than the lower quintile. This is consistent with what we have seen for Brazil, where the top 10% has substantially kept very high levels of growth, while the bottom 10% has grown slightly.

If we look at the relationship between income inequality and Gini Index for Argentina, we can obtain the following graph:

Graph 130: Argentina – Income, distribution and Human Development 1990-2015

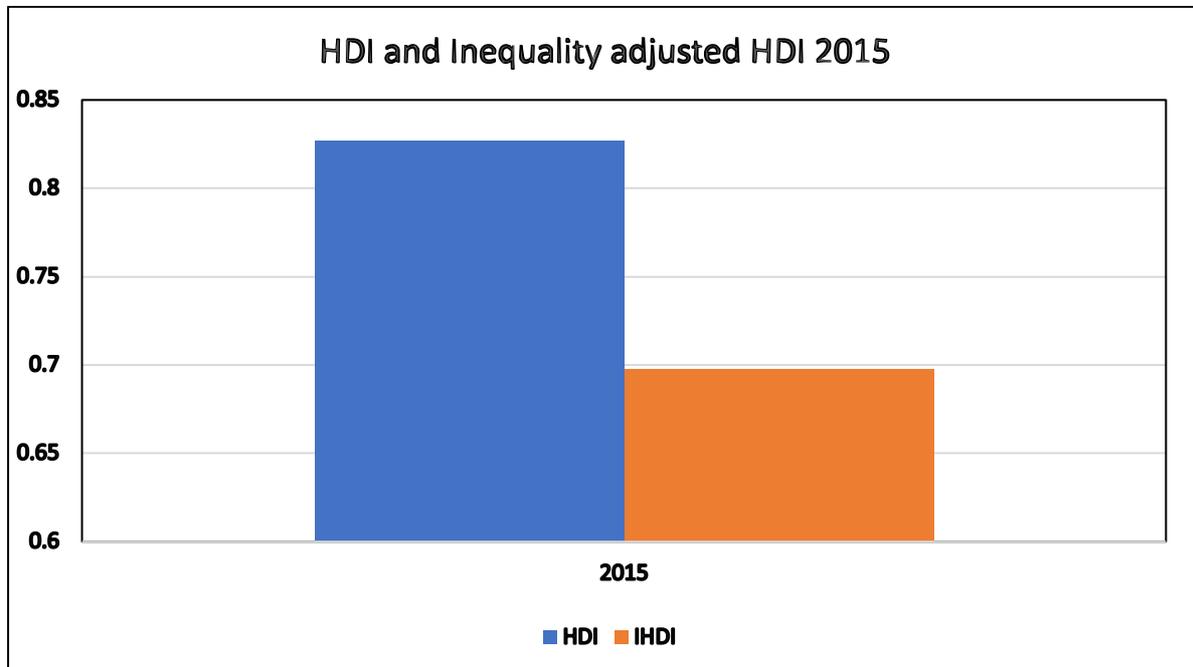


(Source: World Bank, 2018b and UNDP, 2018)

As we can see from the graph above, there is a positive correlation between increase in HDI and the decrease of Gini, with inequality increasing slightly up to the economic crisis, and then decreasing after, with the social programs implemented by the Kirchners to fight hunger and poverty and reach the MDG goals.

Just as we did for Brazil, we can see the difference between the HDI and the Inequality Adjusted HDI, the HDI when discounted for all inequalities, social and economic, to see how much the country loses of its development due to inequality:

Graph 131: Argentina- HDI and Inequality adjusted HDI 2015

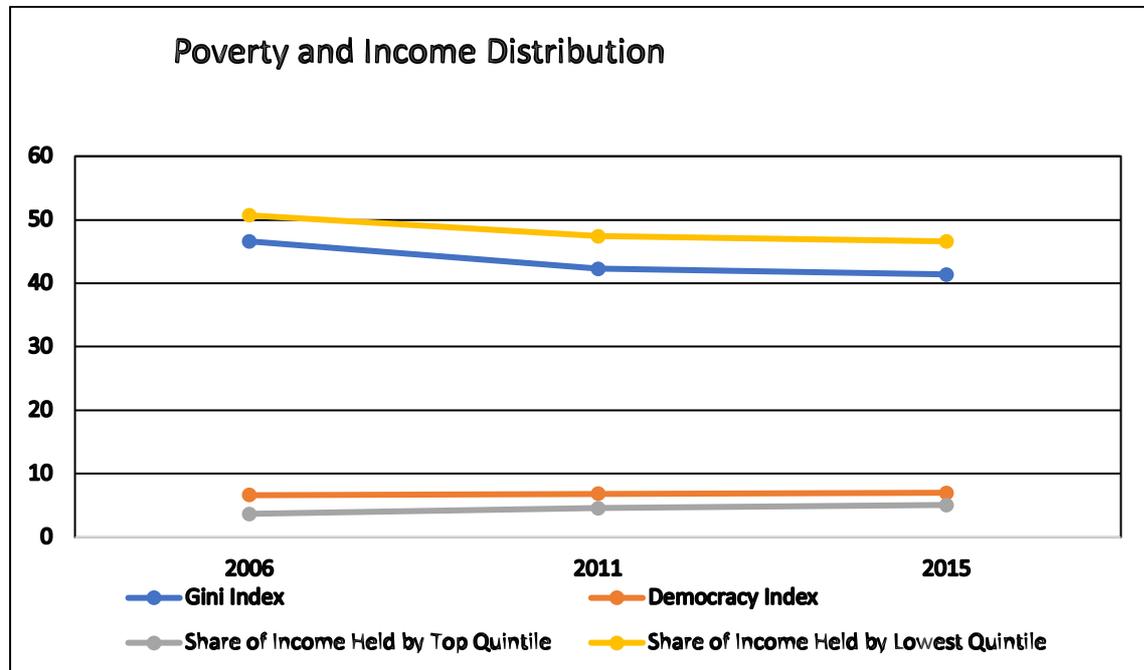


(Source: Data from UNDP, 2018)

As we can see, if all inequality is taken into account, the country scores 0.698, lower than the HDI it had in 1990, bringing the country back to levels of development worse than in 1990. Brazil in this sense starts with a lower HDI compared to Argentina, and loses more in terms of inequality.

Finally, if we look at the changes of Gini index in relationship to the Democracy index used by the Economist Intelligence unit, and the share of income owned by the top quintile and the lowest quintile, we get the following graph:

Graph 132: Argentina Poverty and Income Distribution



(Source: Data from World Bank, 2018b and Economist Intelligence Unit, 2018b)

If we look at this graph, with the original hypothesis that a decrease in Gini index (income inequality) and a better distribution of income (difference between the top quintile and the lowest quintile) would lead to a better quality of democracy, we see that there is actually a slight increase in the democracy Index according to the Economist Intelligence Unit, which seems to be correlated to a lower Gini and a better distribution of income, especially if we look at the last year of our research, 2015, when there is actually a slight increase for Argentina's democratic index.

As changes over subsequent years are very modest, we can try and go deeper into the research using Morlino's concept of quality of democracy. As we have done for Brazil in the second chapter of Part 2, we can create a composite

indicator using five of the eight dimensions identified by Morlino (2011 and 2016), the ones which were more relevant to our research, and using a set of subdimensions.

First of all, we can use the research by Morlino (2016), and consider the five dimensions of Rule of Law, Electoral Accountability, Competition, Freedom and Participation, we can see that in 2013 (the year for which data are available from Morlino, 2016), an average score of 3.65 in the five dimensions was correlated to a Gini of 41%, while the income of the top quintile was 46% and the income of the lowest quintile was 5%, a relationship of 9 to 1.

If we want to carry out the same analysis as we did for Brazil for the years 1998, 2005 and 2015, we can look at the five dimensions of Rule of Law, Electoral Accountability, Political Participation, Competition, and Freedom, with the same subdimensions as we used for Brazil:

Table 13: Argentina- selected dimensions and sub-dimensions

<u>Dimensions</u>	<u>Sub-dimensions</u>
Rule of Law	
	Absence from Corruption
	Political Stability and Absence from Violence and Terrorism
	Judicial Independence
Electoral Accountability	
	Clean and Fair Elections
	Free Political Parties
Participation	
	Civil Society Participation
	Electoral participation
	Direct democracy
Competition	
	Competition among actors (Number of seats to opposition/total seats)
	Alternation (yes=1 no=0)
Freedom	
	Civil Liberties
	Access to Justice
	Human Freedom Index (Only 2008-2015)

If we examine the rule of law dimensions, with its 3 sub-dimensions, we get a score as detailed below:

Table 14: Argentina Rule of Law

RULE OF LAW				
	Absence of Corruption	Political Stability and Absence from Violence and Terrorism	Judicial Independence	Total
1998	0.49	-0.1	0.47	0.86/4.25
2005	0.46	0.0	0.50	0.96/4.25
2015	0.4	0.0	0.46	0.86/4.25

(Source: Data from Idea International, 2018 and World Bank, 2018b)

Absence of corruption is calculated from 0 being the worst score and 1 the best, Political stability and absence from violence and terrorism measures the likelihood of being subject to political instability of political violence and terrorism, with a range from -2.25 to 2.25, with -2.25 being the weakest and 2.25 the strongest, while judicial independence measures to what extent are the courts independent, with 0 being the lowest and 1 being the highest score possible. The highest result possible is 4.25.

Table 15: Argentina - Electoral Accountability

ELECTORAL ACCOUNTABILITY			
	Clean fair elections	Free political parties	Total
1998	0.83	0.74	1.57/2
2005	0.79	0.79	1.58/2
2015	0.77	0.73	1.50/2

(Source: Data from Idea International, 2018)

If we look at the dimension of Electoral accountability, the maximum score for this dimension is 2, clean and fair elections responds to the question to what extent are elections free from irregularities, and free political parties responds to the question to what extent are political parties free to form and campaign for office; in both cases, the range is 0 to 1, with 1 being the best possible score.

Table 16: Argentina – Political Participation

POLITICAL PARTICIPATION				
	Civil Society Participation	Electoral Participation	Direct Democracy	Total
1998	0.81	0.82	0.02	1.65/3
2005	0.78	0.77	0.02	1.57/3
2015	0.77	0.76	0.02	1.55/3

(Source: Data from Idea International, 2018)

The sub-dimension of political participation examines civil society participation, electoral participation and direct democracy, responding respectively to the questions to what extent do people participate in civil society organizations, and to what extent do people participate in national elections, to what extent are mechanisms of direct democracy available and used. Again, the range from 0 to 1 marks the lowest and best possible achievement.

Table 17: Argentina – Political Competition

POLITICAL COMPETITION			
	Competition among actors (number of seats to opp/total seats)	Alternation (no=0 yes=1)	TOTAL
1998 (elections 1995)	68/329	1/1	1.20/1.50
2005 (elections 2003)	84/329	1/1	1.25/1.50
2015	41/329	1/1	1.12/1.50

(Source: Data from Idea International, 2018)

The dimension of political competition considers the number of seats assigned to the opposition over the total number of seats available, and whether

there has been political alteration, with a reasonable expectation that this dimension cannot exceed 1.50.

Table 18: Argentina - Freedom

FREEDOM				
	Civil liberties	Access to Justice	Human Freedom Index	Total
1998	0.86	0.64	N/A	1.5/2
2005	0.84	0.63	N/A	1.47/2
2015	0.80	0.56	6.46	7.82/12

(Source: Data from Idea International, 2018 and Cato Institute, 2018)

Just as we did for Brazil, the last dimension, the one of freedom is composed by civil liberties and access to justice, and for the year 2015, it also considers the Human Freedom Index, which was introduced in 2015 and has been calculated for the time span 2008-2015, which considers personal, civil and economic freedom. It ranges from 0 to 10, with 10 being the best possible score (Cato Institute, 2018). The civil liberties sub-dimension responds to the question to what extent are civil liberties respected (with indicators such as freedom of expression, freedom of association and assembly, freedom of religion, freedom of movement, and personal integrity and security), while access to justice responds to the question, to what extent is there equal, free access to justice (Idea International, 2018). Scores for both civil liberties and access to justice range from 0 to 1, with 0 being the worst and 1 being the best.

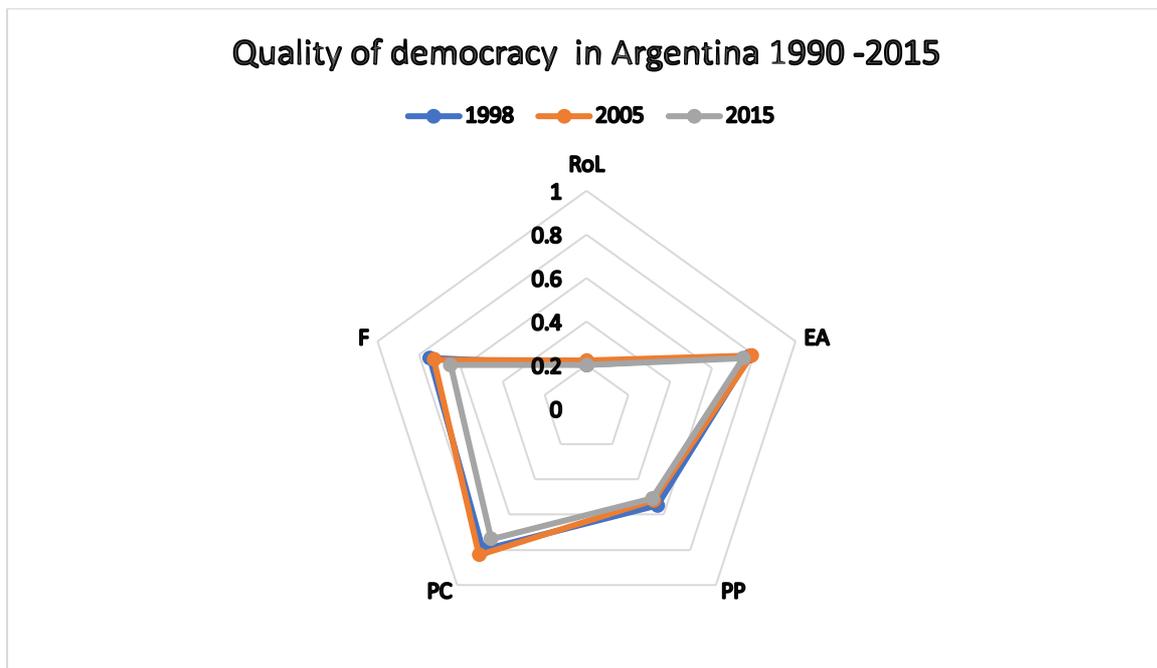
If we aggregate all the different results, we get a quality of democracy index as follows:

Table 19: Argentina – Quality of Democracy

QUALITY OF DEMOCRACY						
	RoL	EA	PP	PC	FREEDOM	AVERAGE SCORE
1998	0.86/4.25	1.57/2	1.65/3	1.20/1.5	1.5/2	0.61
2005	0.96/4.25	1.58/2	1.57/3	1.25/1.5	1.47/2	0.61
2015	0.86/4.25	1.50/2	1.55/3	1.12/1.5	7.82/12	0.57

If we move this data that we have obtained by standardizing the various dimensions into a graphic radar, we can see the following graph:

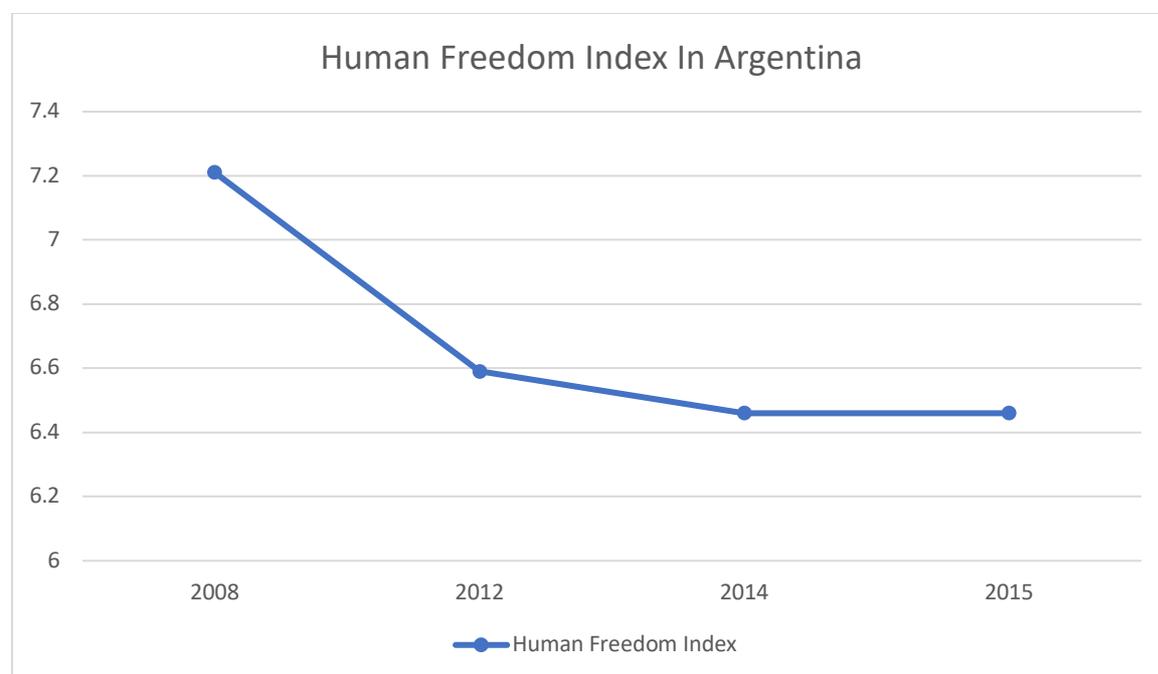
Graph 133: Quality of democracy in Argentina 1990-2015



As we can see from the above calculation, results are partially consistent with what we had seen in Brazil, with a deterioration of democracy over the 25 years taken into account, in all the dimensions selected, just as we have seen in the case of Brazil: the democracy of 2015 is at times even worse than the democracy of 1998, both in Argentina and Brazil.

If we examine, just as we did for Brazil, the newly created Freedom Index from the Cato Institute, we can see that also for the new indicator, there is a substantial decrease in the Freedom Index over time, in line with the decrease in quality of democracy of Argentina:

Graph 134: Human Freedom Index in Argentina

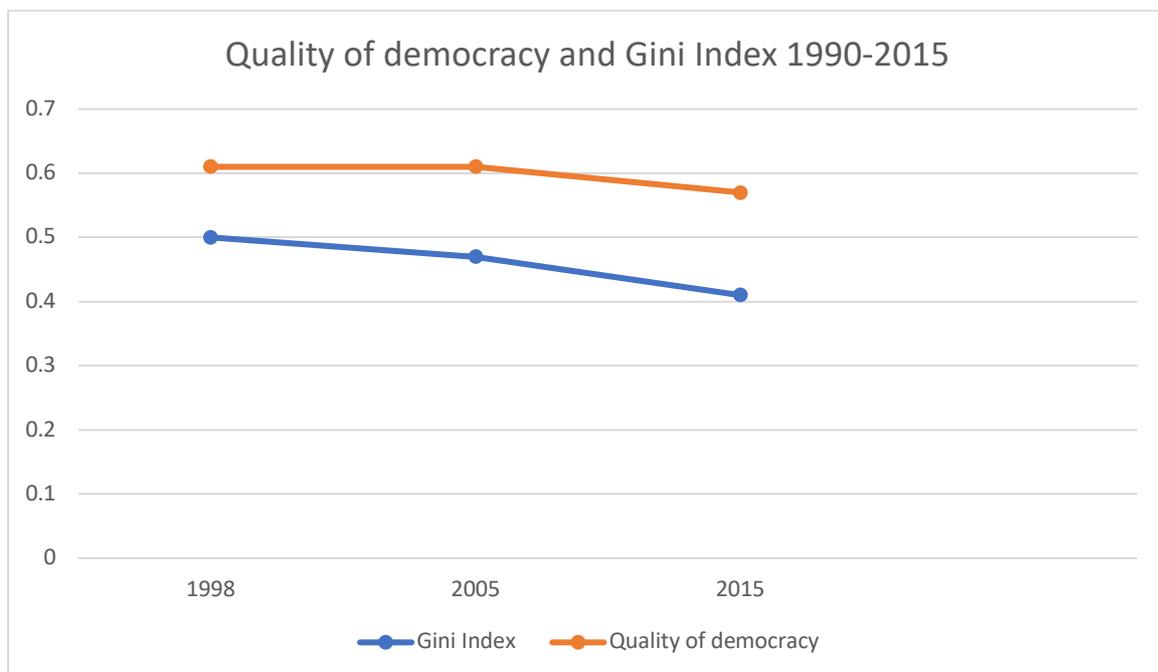


(Source: Data from Cato Institute, 2018)

Just as we did for Brazil, we can assume that such a deterioration of the quality of democracy, almost in all dimensions, is consistent with the analysis carried out by the Economist Intelligence Unit, which identifies a deterioration in democracy, and rather it partially differs from Freedom House, which instead identified a substantially progress of the country in the time span considered (data were available from 1998 to 2015), and recorded progress in freedom status, civil liberties and political rights.

We can now analyze the quality of democracy and the Gini for Argentina, we can see a worsening of the democracy and an improvement of the Gini:

Graph 135: Argentina -Quality of democracy and Gini Index 1990-2015



As we can see from this graph, apparently it is not possible to assume a correlation between inequality of income as measured by the Gini index, and the quality of democracy, because both for Brazil and Argentina, we can see a reduction of the Gini and a worsening of the quality of democracy at the same time. Also, the share of the top and lowest percentage experienced a fairer distribution over time, although there is a very marked difference between the share of the top quintile and the share of the bottom quintile.

## 6.8 Conclusions

As this chapter has tried to show, the quality of democracy in Argentina has worsened in the time span taken into account. Just as in the case of Brazil, we assist at a general worsening of the quality of democracy in the dimensions selected, while the data on inequality are general promising, as there is a substantial reduction of the Gini in the 25 years taken into account. This is definitely due how we choose to measure inequality, as the way we measure inequality impacts our results (see for example, the case of Brazil with Morgan's measure).

Moreover, the case of Argentina is rather peculiar, as there is a serious bias in data availability, due to the manipulation of data on poverty and inequality that occurred during the government of Cristina de Kirchner. This is an important factor which must be taken into account when considering the good scores of Argentina, as unfortunately, we might not be fully aware of the extension of poverty and inequality in Argentina during the last 15 years taken into account (2000-2015).



## PART IV: CHILE



## 7 CHILE: POVERTY, INEQUALITY AND DEMOCRACY (1990-2015)



## 7.1 Introduction

During this first chapter, I will explore the main progress and challenges for Chile in the time span 1990-2015, in line with the Millennium Development Agenda. It is worth reiterating that while not aiming to be exhaustive, the indicators selected and dealt with in the first chapter of each part, are important indicators, as they all contribute to the inequality equation. Therefore, main progress and challenges for these indicators are presented, as a first, qualitative research on the important relationship between inequality and democracy.

Like Brazil and Argentina, the history of Chile during the second half of the 20<sup>th</sup> century was marked by one of the most violent dictatorships in the world. Pinochet's regime lasted for 17 years, from 1973 to 1990, and was worldly renowned for its violent repression and for the violent deaths of the regime's political opponents, many of whom under the form of forced disappearances, like the ones that took place in Argentina. Finally, in line with what was happening in the rest of Latin America, Chile managed to find its way back to democracy, when international pressure finally managed to bring down the military regime and Pinochet opened up the country to a new regime.

As it has been remarked by many scholars, Chile's progress on the path to development in the 25 years taken into account, is definitely remarkable. Its transition, unlike the 17 years that preceded it, was peaceful, and marked by a very high level of consensus and cooperation, and represented a way to reconcile with a very difficult path. The government of the country evolved progressively towards a more developed form of governance, so much that Freedom House granted the country the highest score in terms of civil and constitution rights since 2004, along with Uruguay (Larroulet, 2013).

Since 1990, when democracy was reinstated in the country, Chile managed to achieve impressive results, and is now one of the most successful countries in Latin America, both for its strong economic growth, and for the level of satisfaction of its citizens: in 2011, while the country was interested by very strong students' protests, polls conducted on the number of people who felt satisfied with their lives showed that the percentage had increased from 62% in 1995 to 76%. As Larroulet (2013) points out, Chile's representative democracy, combined with a strong economic model which was able to foster growth through the private sector, along with a social policy focused on the most vulnerable parts of the society, has been able to foster Chile's progress on the path to development. Even when development for Chile seemed to stall, due to its remote geographical position, the features of its long territory and also due to the Chilean culture (Larroulet, 2013), the country was still able to progress and reach one of the highest levels of human development of the region, with an HDI of 0.847, which put the country in the very high human development category. Remarkably, Chile shares its 38<sup>th</sup> rank with Saudi Arabia, a country with immense wealth deriving from natural resources.

Yet, Chile's path to development in the 25 years has not always been easy. While the last decade of the 20<sup>th</sup> century saw strong economic growth, the progress was stalled in the first decade of the 21<sup>st</sup> century, from 2004 to 2009. Moreover, the earthquake of 2010 marked a significant stall in the country's progress, as it took a very high toll on the country's economy and human capital, in terms of destruction of human lives and economic resources.

Other challenges remain, such as poverty and inequality. In terms of poverty, the country has been able to reduce it significantly, in line with the Millennium Development Agenda, thanks to targeted development programs, which will be

discussed further during this chapter. As far as inequality is concerned, the country has traditionally been one of the most unequal in the region, at least for a century, as remarked by Larroulet (2013). Although the situation is still very severe, with inequality continuing to be one of the scourge of the country, it is important to bear in mind that first of all, as Larroulet (2013) remarks, a first increase in the Gini index (such as it happened in Chile between 1974 to 1985, from 0.46 to 0.61) is normal when transitioning to a model of economy based on economic freedom; the Gini for Chile for the last year of our research is 0.47, which is still very high, about the same Gini of the United States (the last available Gini according to the World Bank data for the United States is 0.41 for 2013), which is considered one of the most unequal countries in the world, but significant progress has been made by the country, especially stressing the importance of filling educational gaps and the important role that education can have in reducing inequality.

Over the course of this chapter, the important progress of Chile in terms of reduction of inequality and securing democracy will be shown, by referring to the progress made in terms of the most relevant MDGs for both inequality and democracy, in the time span 1990-2015. While the indicators selected for this first, qualitative part are not the only one that could have been used, they are definitely among some of the most relevant as they can greatly impact how inequality and democracy proceed in a society.

## 7.2 Population growth in Chile 1990-2050

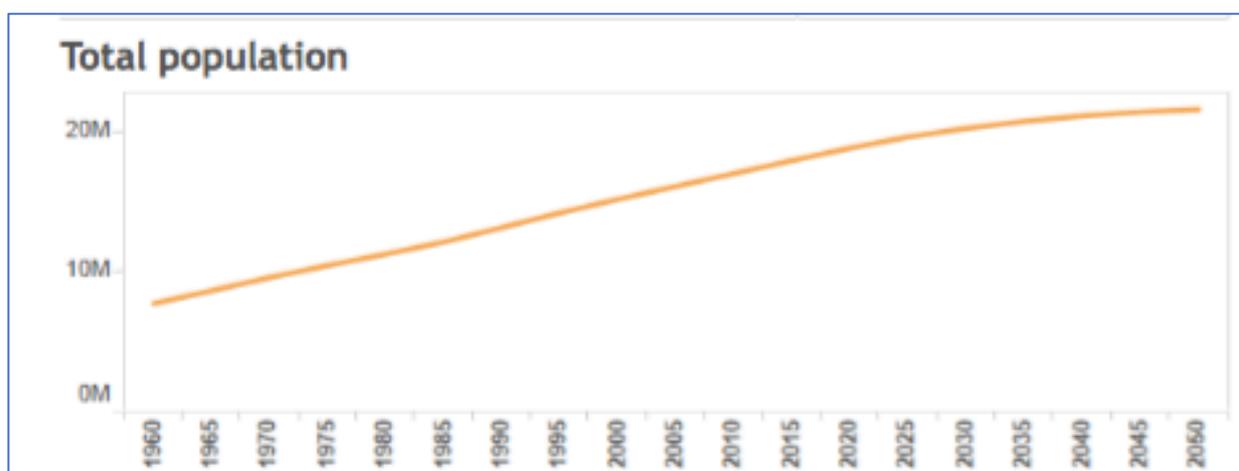
In terms of population changes for Chile, I will carry out the same review of the population pyramids looking for changes every 10/15 years, from 1990 to 2015, with projections for the year 2050, as I did for the LAC region, for Brazil and Argentina. The study of population changes is particularly relevant in a research on inequality and democracy, as it allows to map how the population changes over time, where the majority of the population is grouped and what gender and age the majority of the population is. This is particularly relevant as we know that women constitute the majority of the senior segments, but at the same time, they are more subject to being discriminated and be victims of inequality, and this is very relevant in order to target policies aimed at reducing inequality.

If we look at the population of Chile, the last official World census held in 2002 attested the population at 15.1 million, while the official estimates for 2012 calculated a population of 17.1 million, which means that in 2012, Chile represented 0.25% of the world population. Chile is the 62<sup>nd</sup> most populous country in the world, while within the LAC region, it is the 7<sup>th</sup> most populous country (after Brazil, Mexico, Colombia, Argentina, Peru and Venezuela) (Worldpopulationreview, 2018). As stated in the brief introduction that preceded this section, Chile is one of the most prosperous countries in the region, with the highest level of human development, a flourishing economy, even despite the drawbacks experienced during the turn of the Millennium and with the earthquake of 2010.

In line with what we have seen for the whole LAC region, as well as for Brazil and Argentina, changes in the population pyramid in our 25 years of analysis are remarkable. The total population in Chile increased significantly in the 25 years taken into account, going from 13,141,202 in 1990 to 17,948,141 in 2015, an

increase by almost 5 million people (World Bank, 2018b). Projections by the World Bank (2018a) for the year 2050 forecast a total population of 21,601,000 people, a projected increase by three million in 35 years. The graph below outlines changes in Chilea population over almost a century:

Graph 136: Total population in Chile



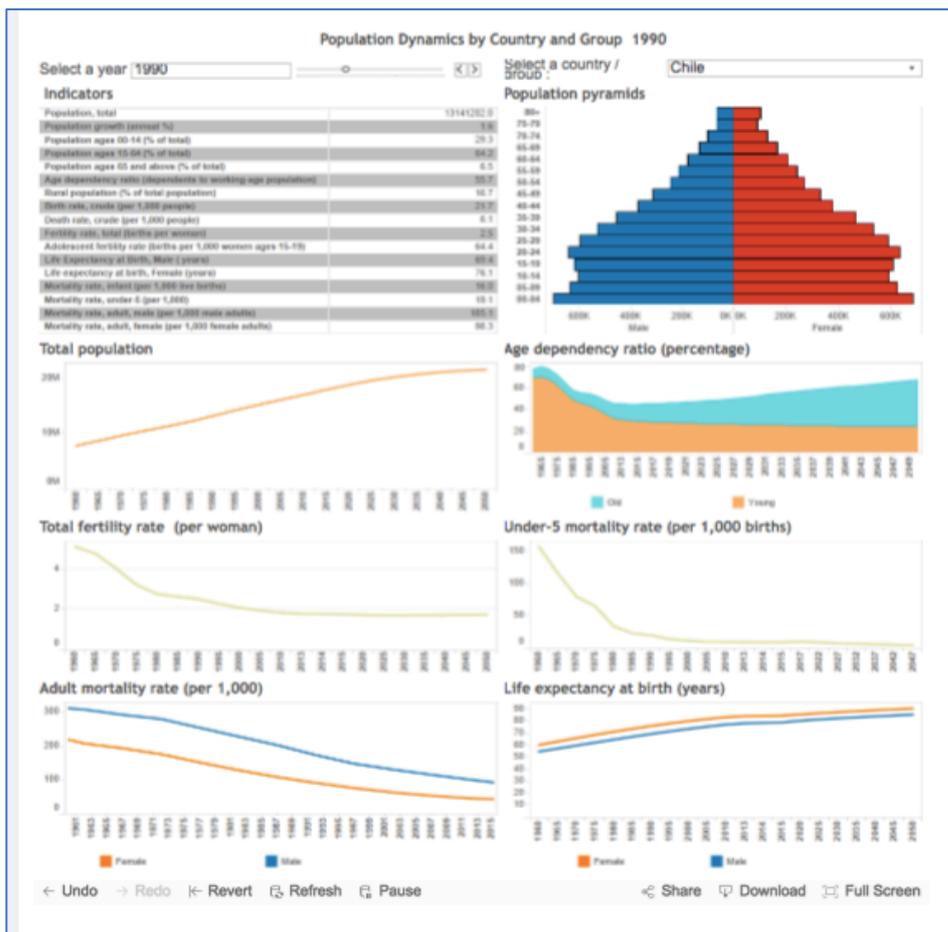
(Source: World Bank, 2018b)

As we can see from the above graph, the population for Chile grew consistently over the time span 1990-2015, although we must remark that the increase was not as significant as for Brazil or other countries, but we must also consider the geographical conditions of the country, a long stretch of mountain land, and also by the fact that Chile's population is not as large as other countries to begin with. Yet, an increase by 5 million in 25 years, for a country with one of the highest HDI in the region is very significant.

When we look at the population pyramid for the year 1990, the year in which the country managed to return to democracy, we see that Chile is in line with LAC, and also with Brazil and Argentina; the pyramid shape is still present, although the

top of the pyramid is more populated than the ones for Brazil and Argentina, a sign of an aging population and a less prominent fertility rate. The graph below presents the population pyramid for Chile in 1990:

Graph 137: Population in Chile 1990



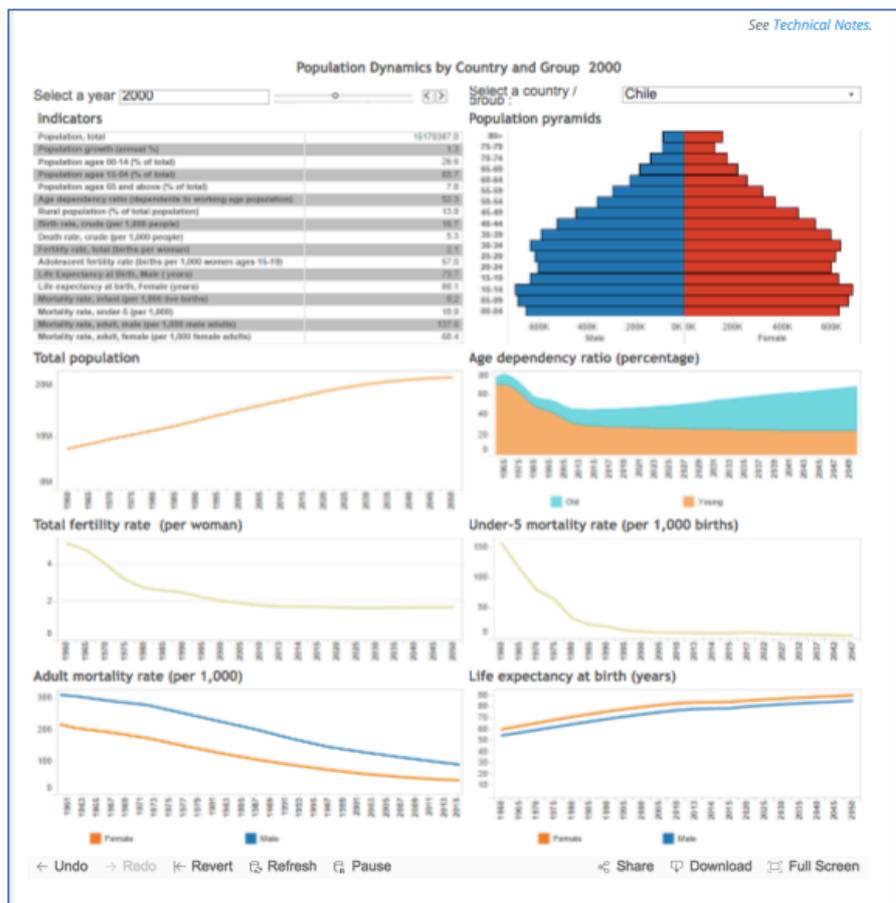
(Source: World Bank, 2018b)

The population pyramid for Chile in the year 1990 is quite steep, a sign that fertility is still high and the population is young, although all segment of the pyramid are populated. The total population for Chile in 1990 amounts to a little over 13 million people, about 3% of the total LAC population, about 446 million people, with an annual increase by 1.6%, below the annual increase rate for LAC (1,9%) and Brazil

(1,7%), but above the one for Argentina (1.4%). The majority of the population is in the age 15-64 (64.2%, in line with the percentage for LAC, Brazil and Argentina, all around 60%), and the rural population is 16.7%, closer to Argentina's figure (13%) than to the figures for LAC and Brazil (29.5% and 26.1%), which is a sign of rapid urbanization and rapid development, higher possibility to escape poverty, as poverty is especially severe in rural areas, due to the isolation that people face in rural areas, but it also entails higher possibility of crime and health problems related to high urbanization. The crude birth for 1,000 people is 21.7, almost the same as Argentina (21.8), and below the one for LAC (26.6) and Brazil (24.3), while the crude death rate per 1,000 is 6.1, the lowest we have seen thus far (Argentina recorded 8.3, Brazil 7.2 and LAC 6.9). The fertility rate (births per woman) is 2.5, again the lowest seen thus far (Argentina recorded 3.0, Brazil 2.8 and LAC 3.2), and the mortality rate per infant (every 1,000 live births) is 16.0, lower than all the countries examined (Argentina had 24.4, Brazil 50.9 and LAC 43), while the mortality rate for children under the age of 5 is 19.1 (against 27.6 for Argentina, 60.8 for Brazil and 54.3 for LAC). These significantly lower rates in mortality are already good enough to explain the different shape of the pyramid for Chile, and the fact that all segments are much more populated, and although the pyramid still has its typical shape, all age segments are much more populated. Life expectancy at birth is 69.4 for men and 76.1 for women, a year more than the figures for Argentina (68.1 and 75.2) and significantly better than Brazil's life expectancy (61.7 and 69.2 for Brazil). The longer life expectancy recorded in Chile already by 1990 explains both the very high level of human development for the country and the more solid pyramid shape for the year 1990.

If we look at changes over 10 years, with the population pyramid for the year 2000, we see remarkable changes, as recorded in the below graph:

Graph 138: Population in Chile 2000



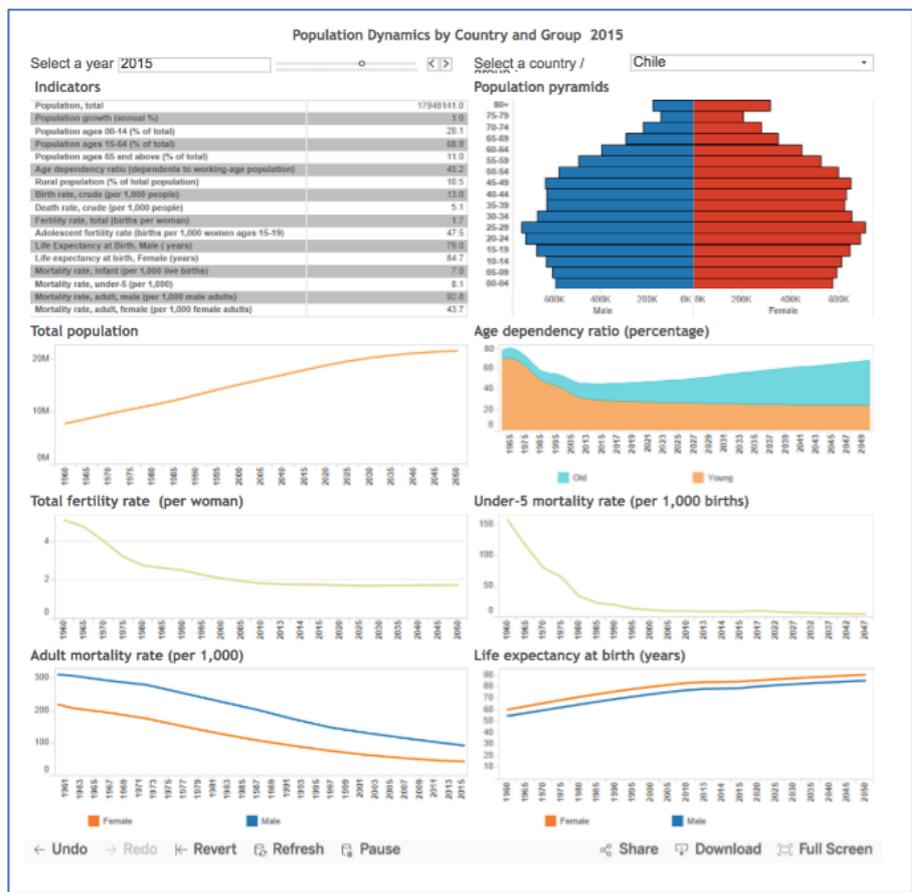
(Source: World Bank, 2018b)

As we can see, the shape of the pyramid shows progress for every segment, a proof of an aging population and a lower fertility rate. The population has increased to 15,170,387, a change by 2 million in 10 years, still about 3% of the total LAC population, 526 million. There has been a significant slow down in the annual increase to 1.3% (a little over Argentina, 1.1%, and below Brazil, 1.5%). The majority of the population is in the age span 15-64 (65.7%, about 1% more than in 1990). The rural population has decreased to 13.9%, decreasing by almost 3 percentage points in 10 years, and still significantly lower than Brazil and LAC. The crude birth rate (per

1,000 people) is 16.7, down by 5 points (lower than Argentina, 19.4, Brazil, 20.9, and LAC, 22.5, while the crude death rate is 5.3 (below Argentina, 7.8, Brazil 6.0 and LAC 5.9). The fertility rate for woman is down to 2.1 (the lowest again compared to Argentina 2.6, Brazil 2.4 and LAC 2.6) and the mortality rate among infants is 9.2 (down by almost 7 points and below all the other figures, 18.0 for Argentina, 28.1 for Brazil and 26.6 for LAC), while the mortality rate for children under 5 has decreased from 19.1 to 10.9 (and well below Argentina, 20.2, Brazil, 32.0 and LAC, 32.0). Life expectancy at birth has increased to 73.7 for men, and 80.1 for women (from 69.4 for men and 76.1 for women), higher than Argentina (70.1 and 77.5) and significantly higher than Brazil (66.3 and 74) and LAC (68.3 and 74.9).

The population pyramid for Chile in 2015, shows further changes, with a loss of the typical pyramid shape, and the shape becoming more of a square, as it can be seen from the following graph:

Graph 139: Population in Chile 2015



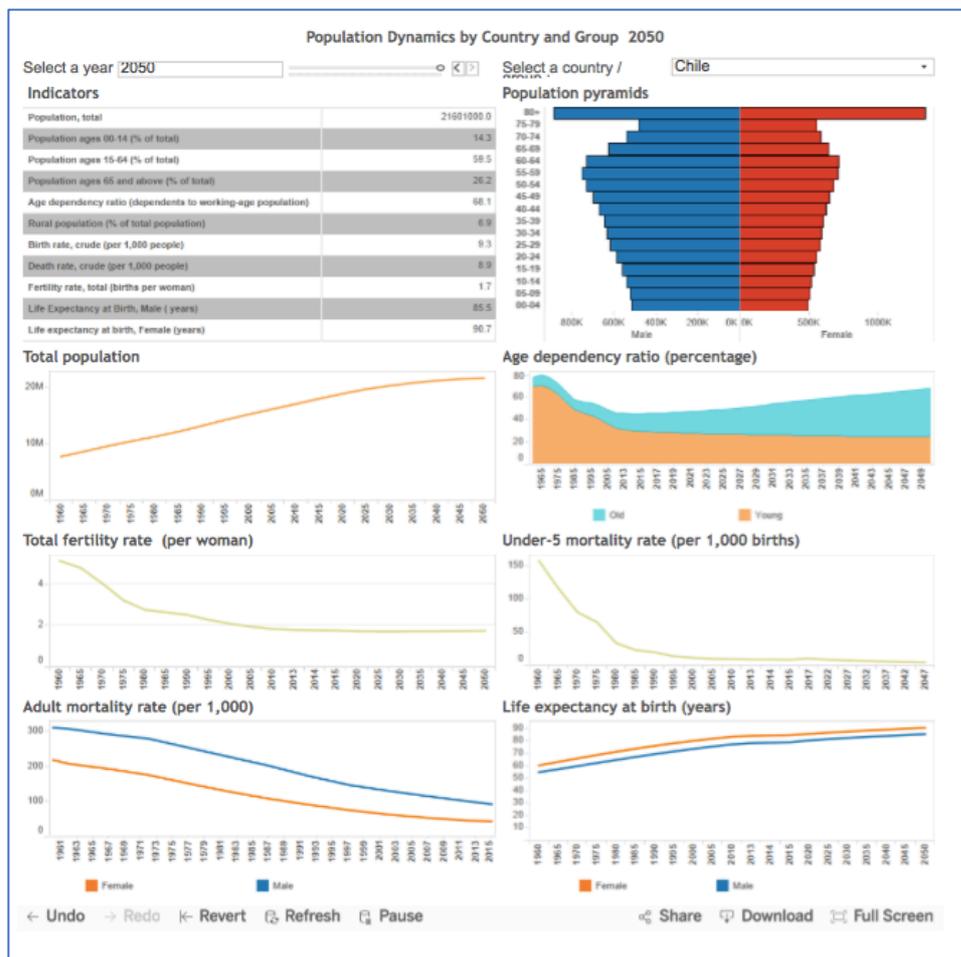
(Source: World Bank, 2018b)

As it can be seen from the above graph, the shape of the pyramid is now more square, due to both the increased life expectancy at birth for both men and women, and the decrease in infant and children mortality. The total population for Chile is now almost 18 million people (17,948,141), an increase by almost 4 million in 15 years, which is quite remarkable, especially for a country who has severe geographical constrictions, and experienced a severe earthquake in 2010, which took a very heavy toll in terms of lives and resources. While the total population of LAC is 633 million people, Chile represents about 3% of the total LAC population. The annual growth rate is now 1% (in line with Argentina, Brazil and LAC), and the

majority of the population is in the age span 15-64 (up to 68.9 percent), meaning that about 70% of the population is in the productive age range, well above Argentina, and in line with Brazil, while the rural population is down to 10.5%, decreasing further, by more than 3 percentage points. The crude birth rate is 13.0, lower than the one for Argentina (17.4), and Brazil (14.5) and also lower than the one for LAC (17.1), while the crude death rate is 5.1 (lower than Argentina, Brazil and LAC). The fertility rate is down to 1.7 (it was 2.1 in 2000), lower than Argentina (2.3), Brazil (1.8) and LAC (2.1). The infant mortality rate is down to 7.0 (from 9.2), significantly lower than Argentina (11.1), Brazil (16.4) and LAC (17.1), while the mortality for children under the age of 5 is down to 8.1 (from 10.9), lower than Argentina (12.5) Brazil (16.4) and LAC (18.0). Finally, life expectancy at birth has increased dramatically, by almost 6 years for men and 4 for women, to 79.0 and 84.7, significantly higher than Argentina (72.6 and 80.2) and Brazil (71.0 and 78.5). As we can see from these figures, Chile is the country in Latin America with the highest life expectancy, which is very close to countries like Italy and Japan, the ones with the highest life expectancy in the world, and is well above the life expectancy of the United States (76.4 and 81.2). This explains the higher level of HDI for Chile, bearing in mind that life expectancy at birth is one of the indicators for well-being of the HDI, the one for health.

If we look at the projected graph for the year 2050, we can see that the progress of Chile, converging towards the trends of the developed countries (high life expectancy and contained fertility rate, as well as low infant and children mortality) continues:

Graph 140: Population in Chile 2050



(Source: World Bank, 2018b)

As we can see, the pyramid has lost its typical shape, and now has a stagnant shape. Older people (80 years and more) now constitute the most populated segment, and women aged 80 and over represent the most populated segment, which is a very important data in terms of inequality, if we consider that women are often discriminated and victims of inequality. The total population for the year 2050 is projected to be 21,601,000 (still about 3% of the total LAC population forecasted for the year 2050, 782 million people). No increase rate is available in the forecast by the World Bank (2018a). The majority of the population is in the age span 15-64%

(but down to 59.5%, a reduction by about 10%), a sign of an aging population as shown in the pyramid, and the rural population is forecasted to decrease further, to 6.9%. The crude birth rate is forecasted at 9.3, while the crude death rate is forecasted at 8.9, which shows almost total balance between the number of births and the deaths. The fertility rate is forecasted at 1.7. Finally, life expectancy is forecasted to increase at 85.5 for men and 90.7 for women (respectively 5 and 6 years above the projections for Argentina, the other country with the highest life expectancy in the region).

As it has been outlined in this brief analysis of population for the period 1990-2015, with projections for the year 2050, we can see that changes in Chile have been remarkable. The country has been able to increase dramatically its life expectancy at birth both for women and men alike, and reduce its infant and children mortality rate, while containing the fertility rate, a sign of development and women's empowerment and education. The population has increased by about 5 million from 1990 to 2015, and is forecasted to increase by 3 million by 2050. Senior women, aged 80 and over, will constitute the most numerous segment, and women in general constitute the majority of the population. This is particularly relevant when we aim at tackling inequality, as women are often discriminated and gender parity is still out of reach, as outlined by Canadian Premier Justin Trudeau at the World Economic Forum in Davos (WEF, 2018). During the World Economic Forum (2018), it was also reiterated how inequality is on the rise globally, with economic growth being captured by the wealthiest segments of the society.

To conclude, this brief population analysis of Chile has aimed at explaining the different changes in society, also with a view to show where the next challenges will lay, and to explain the higher HDI for Chile, with changes in life expectancy at

birth and reduction of mortality in children and mothers alike. Such an analysis is also relevant to show what segments of the society will be more at risk of poverty and inequality (women and people living in rural areas in particular, as they are the most vulnerable segments) and where new policies must be targeted, to ensure a more democratic society.

### **7.3 Monetary and Multidimensional Poverty**

In line with Goal Number 1 of the United Nations' MDGs to halve the proportion of people living under US \$1.25 a day, we can say that Chile was successful and able to reach the MDG 1. As reported by United Nations' Economic Commission for Latin America and the Caribbean (ECLAC, 2013), the country was able to reach the target and exceed it, going from 4.91% of the population living on less than US \$ 1.25 a day in 1990, to 0.83% of the population living under USD 1.25 by 2012, three years before the target date (see chapter 2 for reference). Yet, as remarked by the UNHCR (2015), while Chile has been a pioneer in Latin America in terms of protection of human rights, poverty rates in Chile are still very high for a country that belongs to the OECD and poverty is still under the radar in Chile.

The country accomplished remarkable success, as poverty rates in 1990, at the end of the dictatorship, were about 40%, and in the 25 years taken into account, Chile's government undertook many important actions to battle poverty, protect human rights and battle inequality as well.

According to data from the World Bank (2018b), which calculate the number of people living in poverty (under USD 4) as opposed to people living in extreme poverty (USD 1.25), there has been significant progress as well, as the percentage of people living under USD 4 went from 26% in 2000 to 7.9% in 2015, with the World Bank defining Chile as one of the fastest growing economies in Latin America. However, as the World Bank (2018b) remarks, Chile's GDP fell consistently from 2011 to 2016 from 6.1% to 1.6%, due to falling copper prices, on which the Chilean's economy depends, which could endanger the good progress made in terms of reducing extreme poverty and poverty levels. However, despite the falling prices of copper and the general economic slowdown that the country suffered, progress in

terms of poverty reduction was consistent, according to the Chilean government Casen survey (Reuters, 2018b), which calculated that the number of people living below the poverty line decreased from 14.4% in 2013 to 11.7% in 2015<sup>19</sup>, which is a positive fact in a context of reduction of copper prices. However, as it has already been shown for Argentina, some allegations of data manipulation exist for Chile as well. As reported by The Economist (2012), in 2012, ECLAC (the United Nations' Economic Commission for Latin America and the Caribbean) found inconsistencies in the CESAN government survey, as it showed figures closer to the figures for 2009, which meant that poverty was virtually unchanged. As The Economist (2012) reports, there were also other instances of poor data manipulation, such as in the Census for 2012 and for the unemployment figures, which are consistent with allegations of data manipulation. This might mean that figures for Chile might not be as positive as it has been shown.

As a matter of fact, other important sources allege data manipulation in Chile as well. In 2017, the *Hogar de Cristo*, which is an important movement against poverty in Chile, argued that poverty cannot be measured only based on income, but must be measured according to other variables, such as education, health, work, social cohesion, human rights, housing. If measured in such a multidimensional way, Chile would not have 11,7% of people living in poverty, but 20.9% (El pais, 2018b).

Another study carried out in 2017 by the Fundacion Sol (*Pobreza y fragilidad del modelo chileno*) reports figures very different from CASEN. According to the study, which does not consider the aid provided by the State but uses CASEN data, poverty figures account to 26.9% in 2015 (against 11.7% calculated by CASEN); according to this model, which considers only the income from work for household,

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<sup>19</sup> According to the CASEN socioeconomic survey, the poverty line for a household of one person is set at 152,000 pesos a month and for a household of 4 people it is set at 400,000 pesos per month (Reuters, 2018b).

every 3 out of 10 Chileans do not have autonomous income to overcome poverty (El Mostrador, 2017); moreover, if considering both the autonomous income and the quality food basket instead of the basic food basket, the poverty rate reaches 41.6%, which is almost half of the total population in Chile, and which sheds new light on the real extent of poverty according to the way it is measured.

To conclude this section on poverty, it can be remarked that also the World Bank (World Bank, 2018b) argues that while Chile was very successful in reducing poverty overall in the time span 1990-2015, there has been a resurgence of poverty from 2013, as extreme poverty rates went from 0.9% in 2013 to 1.3% in 2015, with the number of people living in extreme poverty going from 158,684 in 2013 to 234,083 in 2015. This shows that while the progress against poverty in the country has been remarkable, with policies designed to help the weakest segments of the society, the issue is still urgent. Moreover, as it will be shown in the next section on inequality, the very high inequality in the country is causing more poverty.

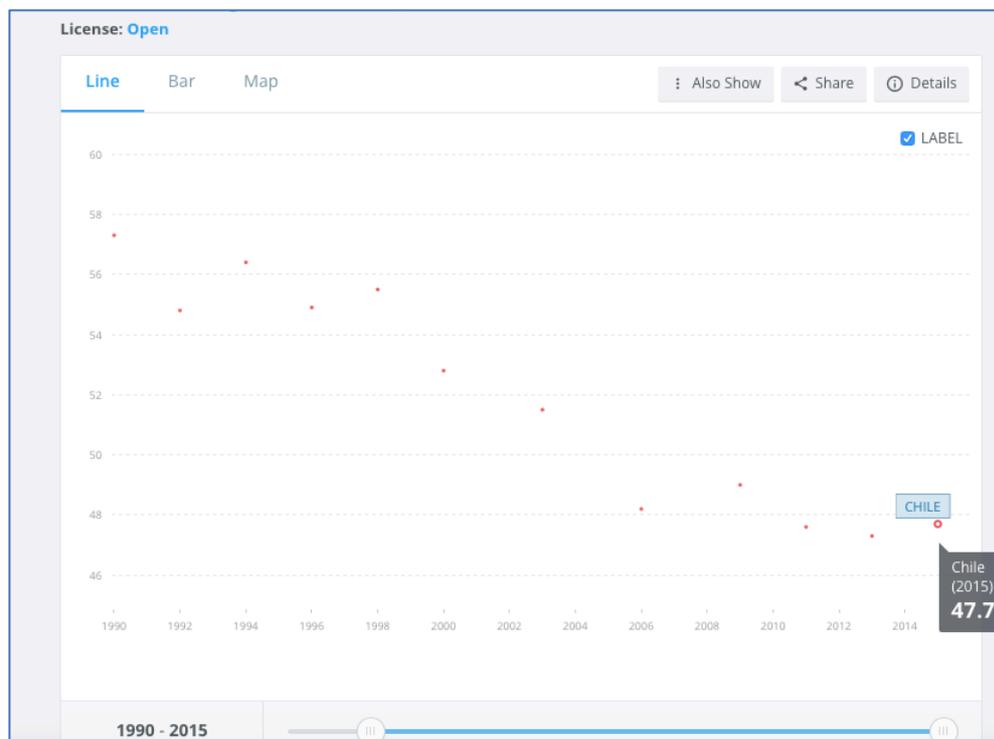
In terms of multidimensional poverty, Chile is one of the countries in Latin America with the highest commitment in elaborating an MPI. As reported by OPHI (2015), in January 2015 the country launched its new MPI, together with the statistics for poverty. According to the new MPI, 20.4% of people live in multidimensional poverty, whereas 14.4% are income poor, and 5.5% of Chileans experience both types of poverty. Moreover, Chile is the fifth government (along with Colombia, Mexico, The Philippines and Buthan) to adopt officially an MPI, a sign of the commitment of the government to eradicate all kinds of poverty. However, it is worth noting that the Human Development Report by the United Nations is unable to provide any MPI for Chile, due to lack of relevant data (UNDP, 2015b).

To conclude this section on poverty and multidimensional poverty in Chile in the time span 1990-2015, it has been shown that Chile was very successful in reducing poverty rates, especially after a very long and bloody military regime. Yet, problems still remain, due to the high inequality that the country has historically experienced, and also due to allegations of data manipulation. Moreover, the real extent of the phenomenon might not be known, as poverty figures depend on the way poverty is measured. A measurement of poverty that considers a more multidimensional perspective might show very high poverty rates, which can both endanger the democratic regime of the Chilean society, and inequality in the country.

## 7.4 Inequality

As briefly discussed in previous sections, inequality has historically been very high for Chile and it still one of the main problems of the country. The level of inequality in Chile is very high, especially for a country which belongs to the OECD. If we look at the Gini Index for Chile for 2015, the last year of our analysis, we find a Gini index of 47.7, which is very high if we consider that the United States had a Gini index of 41 in 2013 (the last year for which World Bank data are available for the USA). Yet, if we analyze the progress of the country in the time span taken into account, we see that there is a significant decrease in the Gini Index from 1990 to 2015, from 57.3 to 47.7, as outlined in the graph below:

Graph 141:Gini Index Chile 1990-2015



(Source: World Bank, 2018b)

If we run a comparative analysis with Brazil and Argentina, we see that Chile is faring better than Brazil in terms of inequality, but worse than Argentina, as depicted in the below graph:

Graph 142: Gini Index Brazil, Argentina and Chile 1990-2015



(Source: World Bank, 2018b)

If we look at the comparative graph, we see that Chile is faring significantly better than Brazil, but worse than Argentina, and we can also see that while Chile started with a much worse level of inequality than Argentina in 1990, but at the beginning of the 21<sup>st</sup> century, inequality was worse in Argentina than in Chile, especially by 2002, when the great economic crisis of Argentina struck. However, it is important to remember that all these countries are well above the United States, and even Argentina is more unequal than the United States, a country as we said that is

known as one of the most unequal countries in the world, as stated by many scholars (see chapter 2 for reference), but are below South Africa<sup>20</sup>, one of the most unequal countries in the world, as depicted in the graph below:

Graph 143: Comparing Gini Index among countries 1990-2015



(Source: World Bank, 2018b)

As the above graphs show, inequality in Chile is still a very urgent problem, and although inequality of income has significantly decreased in the 25 years taken into account, it is still remarkably high for a country in the group of countries with very high human development and a country belonging to the OECD.

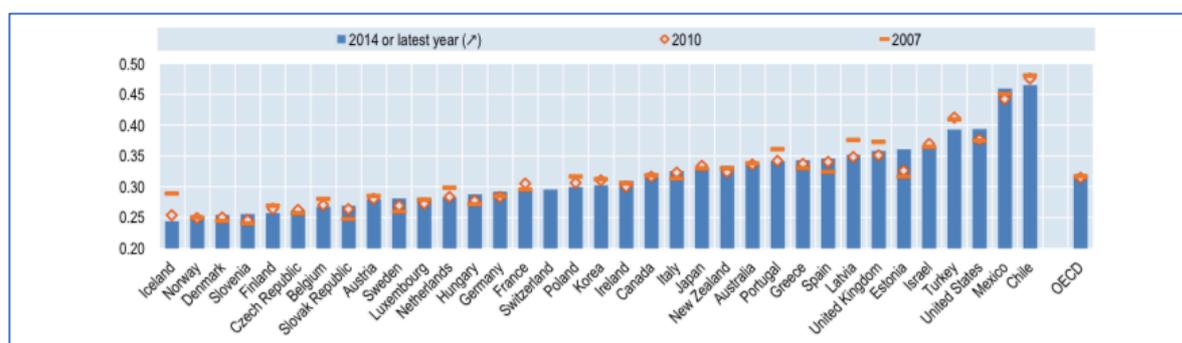
The high inequality in Chile, conceived as inequality of income, is detrimental to the sound development of the country and to the fight against poverty. As

<sup>20</sup> Unfortunately, there is a data bias as Gini Index is only available for 2006, 2008 and 2011 in the World Bank database.

highlighted by the Borgen Project (2017), inequality of income is driving about 10% of the population into poverty (while the official statistics on poverty refer to 14.4% living in poverty); if we analyse inequality of opportunity instead, Chile has about 75,000 children who do not attend school, and in general the education system in Chile is a big component of the inequality equation, as the number of the uneducated closely mirrors the number of people living in extreme poverty (The Borgen Project, 2017). Moreover, in line with what is happening worldwide, growth is not reaching all levels of society, but as the Borgen project (2017) reports, 75% of growth has gone to the richest segment of the society, while only 10% to the poorest; and while Chile is considered a developed nation, only 20% of its population has income that can match the level of the developed countries.

In a recent report by the OECD (2017), it was remarked how the United States, Mexico and Chile, have the highest level of inequality among the developed countries, with Chile being the country faring the worst, and well above the OECD average, as depicted in the following graph, which shows Gini levels for countries:

Graph 144: Gini levels for OECD countries



(Source: OECD, 2017)

Moreover, as it has already been mentioned in chapter 1, in 2017 the OECD (2017) remarked that the highest 10% of the population in Chile earns 27 times more than the poorest 10% of the population. Among the reasons that contribute to the current state of affairs and the high inequality in the country, there is a faulty system of taxation that burdens the most vulnerable segments of the society, and the majority of the tax burden is borne by individuals with low and medium incomes, who see their power of purchase decreased, and as a result, are at higher risk of poverty (The Borgen Project, 2017), while there are monopolies and oligopolies detained by the wealthiest. Moreover, the education system is another component of the inequality problem in Chile, as poor education is to blame for the lack of opportunity and the growing inequality of the country, as many people lack the skills and knowledge to obtain qualified jobs with good income, and many lack the money required to attend college and thus secure a good education and a good employment (The Borgen Project, 2017). Finally, corruption, which is very high in Chile, is another factor that contributes to the high inequality of the country, as rent

seeking behaviour impedes progress and harms the democratic structure of the country (The Borgen Project, 2017).

As we have seen in this brief section on inequality, Chile has progressed significantly in the 25 years taken into account, reducing poverty, reducing inequality of income and improving its economy, progressing to a very high level of human development and joining the OECD. Yet, significant challenges remain, as the country faces levels of inequality that are just unacceptable for a developed country, a country with very high human development, which still has very high levels of poverty and inequality, an unstable economy that mainly depends on copper. Such challenges will have to be faced in order to continue Chile's path to democracy and ensure that inequality does not harm the very positive results that the country accomplished after a very difficult past, marked by one of the most violent military regimes in the world.

## **7.5 Food Security and Hunger**

In line with MDG Number 1 of the United Nations to halve the proportion of people suffering from hunger, Chile was successful in reaching the goal ahead of 2015, the set date. As a matter of fact, the FAO (2014) recognized that already in 2014, Chile had reached the MDG goal of halving people suffering from hunger in the time period 1990-2015, while at the same time also reaching the World Food Summit goal set in 1996 to halve the number of people suffering from hunger. As statistics show, the percentage of the undernourished was reduced from 4.3% in 1990, to 2.5% in 2015. These good results were possibly due to the effort of the Chile Fund against Hunger and Poverty, an organization which together with the UNDP of the United Nations, funded programs targeting the South-South Cooperation and the Millennium Development Goals (The Borgen Project, 2017). The Chile Fund against Hunger and Poverty was created by the Chilean government together with the UNDP in 2006 to promote cooperation and to strengthen strategies against hunger and poverty (Fondochile, 2012), and since 2006, Chile has contributed great resources in the fight against hunger and poverty, by contributing USD 20 million to fight hunger and poverty.

Moreover, the South-South Cooperation Program is a program established among Southern countries to promote development by involving different stakeholders, such as the civil society, governmental and non-governmental organizations, the private sector and academia (The Borgen Project, 2016) which aims at promoting the prosperity of the Chilean Economy. In particular, in Chile the issue of hunger has escalated to a triple issue, constituted by undernutrition, obesity and income: in particular, unhealthy foods are easier to consume due to the fact that they are inexpensive, and drive rural people with low income to buy them, thus

becoming more and more undernourished due to the low nutritional value of these foods. In order to battle these concentration of undernourishment, obesity and low income, FAO (2017) has implemented priority themes, which focus on decent rural employment promotion, promoting decent working conditions in rural areas, disaggregated data, gender protection and advocacy against natural disasters.

It is worth noting, as highlighted by the FAO (2017), that Chile is the country in Latin America which recorded some astonishing results: as a matter of fact, the country in the time span 1995-2013 had managed to reduce the number of undernourished children under the age of 5 by 2 percentage points, reaching in 2013 a figure as low as 1.8% of the population, the lowest percentage in Latin America; such a successful reduction is mainly due economic growth and decrease in poverty rates. However, as FAO (2017) remarks, Chile is the second country in the region with the highest percentage of childhood obesity, as depicted in the following graph, which show the percentage of hungry children (in light blue) against the percentage of obese children (in dark blue):



unsound and unhealthy and contribute to the inequality problem, as malnourishment causes health problems such as diabetes and hypertension, sedentary lifestyles, and cognitive and behavioural problems that stop the sound development of a human being. In brief, while Chile's struggle in the past was to reduce its number of undernourished children under the age of 5, that in 1960 was about 37%, now the new challenge is to battle obesity, which borders 10%, and is not only due to the different socio-economical changes of the country, but also to family structure, education and information. Moreover, FAO (2017) also states that there is a new challenge in the region, which is the *hidden hunger*, the lack of some micronutrients. In particular, anaemia for lack of iron is a very common issue in the region, and it affects 44.5% of children and 22.5% of women in the region. This hidden hunger prevents the sound development of children and women into healthy human beings, and increases the risk of being victims of inequality in the country.

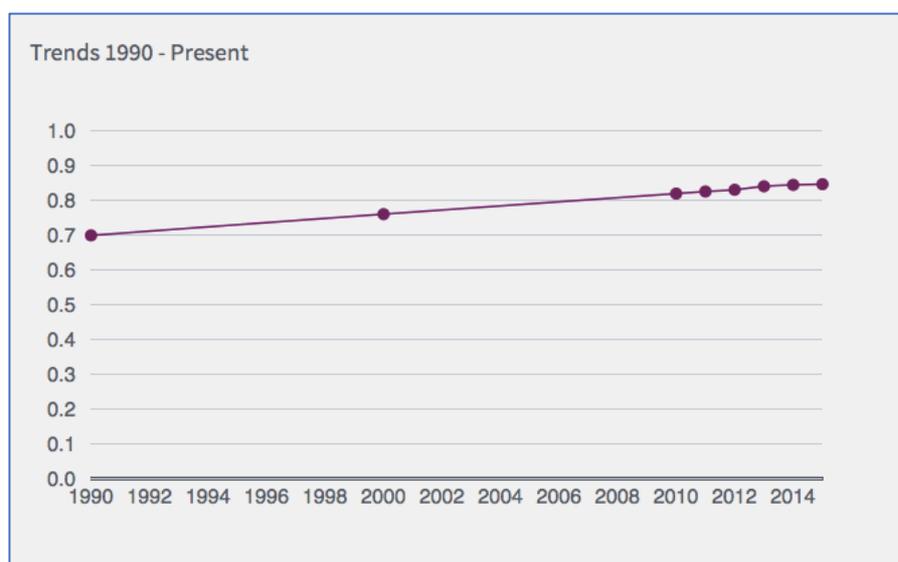
As we have briefly seen in this section on hunger and food security, Chile has been very successful in reducing hunger and improving food security, it has been successful especially in protecting the most vulnerable, such as children. The Chilean's strong economic growth has helped significantly, but the successful results have been a product of Chile's effort in battling poverty and hunger. Yet, some challenges such as the rise of obesity among children and adults and the lack of essential micronutrients are to be tackled in order to ensure a more democratic country, where all human beings can take part in a sound development of their full potential.

## 7.6 Human Development

In terms of human development, we have seen in the previous section of this chapter, that Chile fares extremely well in terms of human development and as a matter of fact, it is among the countries with very high human development. Chile is the country with the highest HDI in the region. As it has been anticipated in Chapter 5, on Argentina, the country's HDI is slightly above the one of Argentina. However, we have to remember that Chile, although facing severe challenges as well, did not endure the same economic crisis that Argentina had to endure in 2002.

In 2015, Chile ranked 38 out of 188 countries, sharing its ranking with Saudi Arabia, a country of incredible wealth and political challenges as well. Chile recorded an HDI of 0.847. In the 25 years that elapsed from 1990 to 2015, right from the end of Pinochet's military regime, Chile's HDI went from 0.700 to 0.847, an increase by 20.9% (UNDP, 2018b). The graph below depicts Chile's progress in terms of HDI in the time span 1990-2015:

Graph 146: Chile's HDI 1990-2015



(Source: UNDP, 2018b)

As we can see from the above graph, Chile fared already quite well in 1990 in terms of HDI, as a matter of fact, it had the same HDI of Argentina (0.700 versus 0.705), but one has to bear in mind that Argentina had been one of the wealthiest countries in the beginning of the 20<sup>th</sup> century, and had been praised at global level for its universal health care, full employment, urbanization and universal education, while Chile had endured one of the longest and bloodiest dictatorships in the world. Moreover, the country was often times constrained by its difficult geography and was not a particularly wealthy country.

If we look at the changes in the HDI components over the 25 years of the Millennium Development Agenda, we see significant changes in all indicators: life expectancy at birth increased by 9.3 year (almost twice as much as for Argentina, and basically the same as Brazil), mean years of schooling increased by 1.8 and expected years of schooling by 3.4 years, less than the increase for Argentina and

Brazil, while GNI per capita for Chile increase by 149.4% in the time span 1990-2015, well above the figures for Brazil (31.6%) and Argentina (97.5%). The following graphs highlight progress in HDI components in the time span 1990-2015:

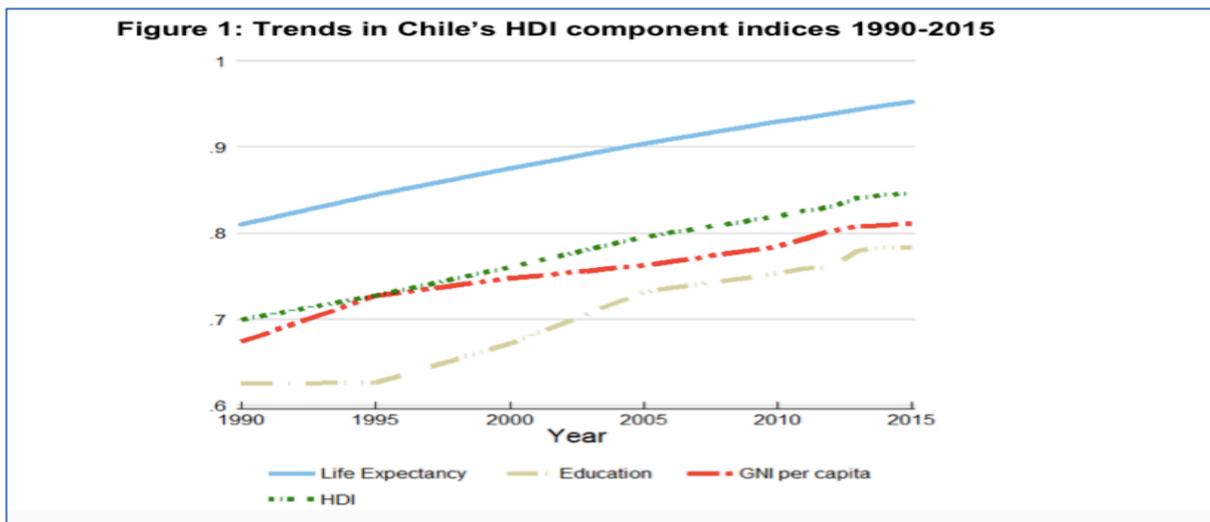
Graph 147: Chile's HDI trends 1990-2015

**Table A: Chile's HDI trends based on consistent time series data**

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	72.7	12.9	8.1	8,688	0.700
1995	74.9	12.5	8.4	12,398	0.728
2000	76.9	13.7	8.8	14,171	0.761
2005	78.8	14.9	9.5	15,606	0.796
2010	80.4	15.4	9.8	18,041	0.820
2011	80.7	15.5	9.8	19,142	0.826
2012	81.1	15.6	9.9	20,306	0.831
2013	81.4	16.2	9.9	20,989	0.841
2014	81.7	16.3	9.9	21,352	0.845
2015	82.0	16.3	9.9	21,665	0.847

(Source: UNDP, 2018b)

Graph 148: Chile's HDI components 1990-2015



(Source: UNDP, 2018b)

As we can see from the two graphs above, progress has been substantial. Up to 2000, Chile was below Argentina and well above Brazil, but if we look at the HDI in 2010, after Argentina had to withstand one of the worst economic crisis, we see that Chile started to fare better than Argentina. Yet, in relation to other countries, Chile, like Argentina, fares well below the average of countries with very high human development (0.892) but well above the average of LAC (0.751) as highlighted in the Human Development Report 2015 (UNDP, 2016). In general, from what we have seen analysing the three countries, Brazil, Argentina and Chile, it is possible to argue that Chile is the one with the highest degree of success over the 25 years, as it managed to increase greatly life expectancy, GNI per capita and schooling, also taking into account that the country has severe geographical constraints, has an economy that depends almost completely on copper, endured the longest and bloodiest dictatorship among the three countries analysed, with a process of reconciliation that has not been concluded yet, and has been very painful for the whole society, and did not enjoy the same glorious past as Argentina nor does it have the same wealth and resources of Brazil. Yet, despite all these constraints, Chile is one of the most resilient countries, whose progress has been impressive.

Nevertheless, despite the remarkable progress recorded, Chile is still facing a very high inequality, that takes its toll and diminishes its HDI: as a matter of fact, while the HDI for 2015 is 0.847, if discounted for inequality, the Inequality Adjusted HDI for 2015 is 0.692, with a loss of 18.2%, above Argentina, which recorded a loss by 15.6% and below Brazil, which records a loss by 25.6%. The average for countries with very high HDI is 11.1%, so Chile is losing more than the average for countries with very high human development, but it is below the average of LAC, which is 23.4%. Nevertheless, this figure is more astonishing if we think that the

Inequality Adjusted HDI is well below the HDI that the country had in 1990, after almost two decades of a military regime. This really shows the extent of the inequality problem and what a huge toll it takes on the development of a country.

When one looks closer at Chile's records over the last 25 years, the reality is that while the Andean nation has been able to record significant progress, the pie has not been shared correctly, as the distribution of the economic growth has benefitted the wealthiest in particular: 75% of the nation's growth in 2011 went to the wealthiest 10%, a fact that statistics often overlook. As we have seen in other chapters, and as it will be further analysed in this chapter, the problem in Chile is not about economic growth, which has been substantial and positive, in the 25 years taken into account, but it is about reforming a system of taxation that is taxing the low and middle income segments and is actually providing tax breaks and benefits for the richest.

While inequality in Chile and in Latin America is a very complex issue, deeply enshrined in the countries, there is a very urgent need to rethink the inequality issue. As it has been shown in this section, inequality takes a very heavy burden on a country, it sets progress back by about 25 years, it deprives a country of about 15% of its progress, and it undermines the democratic structure of a society, it encourages rent seeking behaviour and creates a less just world.

## 7.7 Education

In line with Goal number 2 of the MDGs to achieve universal primary education for both boys and girls alike, it is possible to say that although Chile was not able to reach its goal of universal primary education, nevertheless, the country was extremely successful in improving its education indicators, and bringing it closer to achieve Goal Number 2. As already briefly touched upon when explaining changes in HDI, which is one of the dimensions of the index, education indicators have all increased substantially in the 25 years taken into account (mean years of schooling by 1.8 and expected years of schooling by 3.4). Moreover, as we have already seen in Chapter 2 enrolment rates are in general very high for LAC, at about 94%, so there is wide spread access to primary education in the region.

For Chile in particular, the country has been slowly and steadily making effort to improve access to primary education: as indicated by Christian, Alicea and West (2014), in the ten years from 1990 to 2000, the country managed to increase access to primary education for children from 88% to 91%. However, the rate decreased in 2006, dropping back to 88%. Moreover, primary level literacy rate also increased from 98.4% to 98.7%, and although the country did not reach its goal of 99.8% by 2015, it did manage to reach gender parity, as girls and boys have the same rate of alphabetization. The country's literacy rate went from 95.7% in 2002 to 99.1% in 2015 (Christian, Alicea and West, 2014).

Despite the good and substantial progress that the country has made, several problems in education still remain: as a matter of fact, access to education is not the only problem, but retention is a substantially issue as well. As O'Ryan, de Miguel, Pereira and Lagos (2008) underline, in 1990, 84.5% of those who entered a cycle of education would complete it (arriving at grade 8), while in 2003, the rated had

decreased to 81.6%, showing that there is not only the need to work on improving access to education, but also focusing on reaching 100% retention rates.

Yet, despite all these challenges, Chile is a strong promoter of education and is making very impressive efforts to increase its education indicators. In 2003, as O’Ryan, de Miguel, Pereira and Lagos (2008) underline, a Constitutional reform was passed that entrusts the government with the responsibility of guaranteeing 12 years of schooling, and the country also hoped that by 2015, 100% of girls, boys and teenagers would be able to complete a cycle of education (the 12 years mentioned above). It was also estimated that by 2015, 99.8% of the total population between the age of 18 and 24 would be able to read and write (O’Ryan, de Miguel, Pereira and Lagos, 2008)

While the efforts by the Chilean government are very important and worth of recognition, and very important efforts have been made to ensure access to the most disadvantaged segments of the society, and to ensure gender parity, significant problems in the Chilean education remain, such as the low coverage for preschool education, and the low quality of public education, which makes Chilean students fare poorly in international tests (O’Ryan, de Miguel, Pereira and Lagos, 2008). For example, as indicated by the latest PISA test 2015 (OECD, 2015), in science literacy, Chilean students perform significantly worse than the average of OECD countries (447 points against an average of 493), with boys performing significantly better than girls, and in mathematics as well, the performance of Chilean students is significantly lower than the average of OECD countries (423 points compared to an average of 490), with boys performing better than girls, while in reading girls perform better than boys, but the country still fares much worse than the average in OECD countries (459 points against 493).

In particular, inequality in Chile, the most unequal OECD country, results in a faulty educational system. As O’Ryan, de Miguel, Pereira and Lagos (2008) remark, inequality exists among socio-economic classes and types of school (private, subsidized and public) and the education that is delivered; such differences are resulting in tests administered by the System for Measuring Educational Quality (SIMCE) and by the University Selection Test.

As highlighted by Politics and Policy (2015), the growing economic inequality in Chile has led to a socioeconomically segregated educational system: as early as in pre-school, socio-economic class dictates the future of a pupil, as toddlers coming from low income families will receive a low quality education, marked by low funding and poorly trained teachers. Primary education in Chile can both be public or private, and private schools usually provide better quality education, as shown in the University Selection Test, where students from public schools usually fare poorly and do not get admitted into the best universities. In this way, the cycle of inequality perpetuates, from inequality of income to inequality of opportunity, which in its turn results in inequality of income, and the cycle perpetuates.

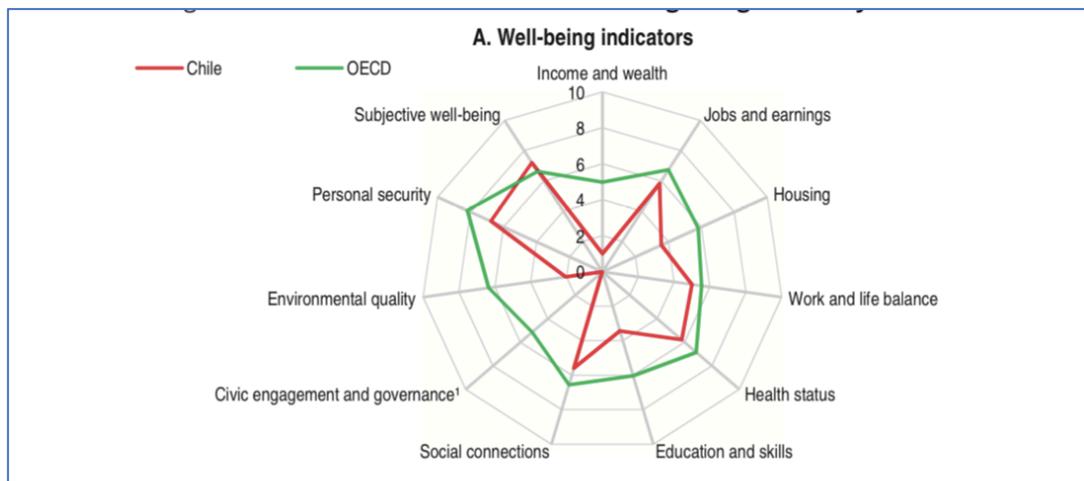
As suggested by this short section on education, Chile has been very successful at improving its education indicators, such as access, literacy and retention. However, not only has the country not been able to reach Goal Number 2 of the MDGs to guarantee universal primary education (it has however managed to reach gender parity), but also, the country is currently unable to provide good, public education to all and inequality of income and opportunity undermines the possibility already from a very young age. Inequality undermines the development of a person in education as well, thus depriving citizens of a real democratic society. If Chile wants to win its battle against inequality, it will not be enough to guarantee free

education. The country will have to make sure that *quality* free education is provided from an early age, in pre-school, in primary and elementary school. Only in this way, the country will be able to secure a truly democratic society, where all human beings have the same opportunities of being equal both in income and opportunity, without seeing their chances of success being undermined already by an early age.

## 7.8 Employment and Economic Growth

In terms of economic growth and employment, in the last decades, Chile has achieved some very impressive results, with an economy that has significantly grown and has been able to withstand the global financial crisis better than its peers, and has allowed Chile to be the only Latin American country in the OECD, while at the same time taking millions of people out of poverty. As a report by the OECD (OECD, 2015b) remarks, due to the progress made by Chile, the quality of life of Chileans and their well-being, jobs and earnings, work-life balance and health, has reached levels that are very close to the average of OECD countries, as depicted in the following graph:

Graph 149: Well-being: Chile vs OECD countries



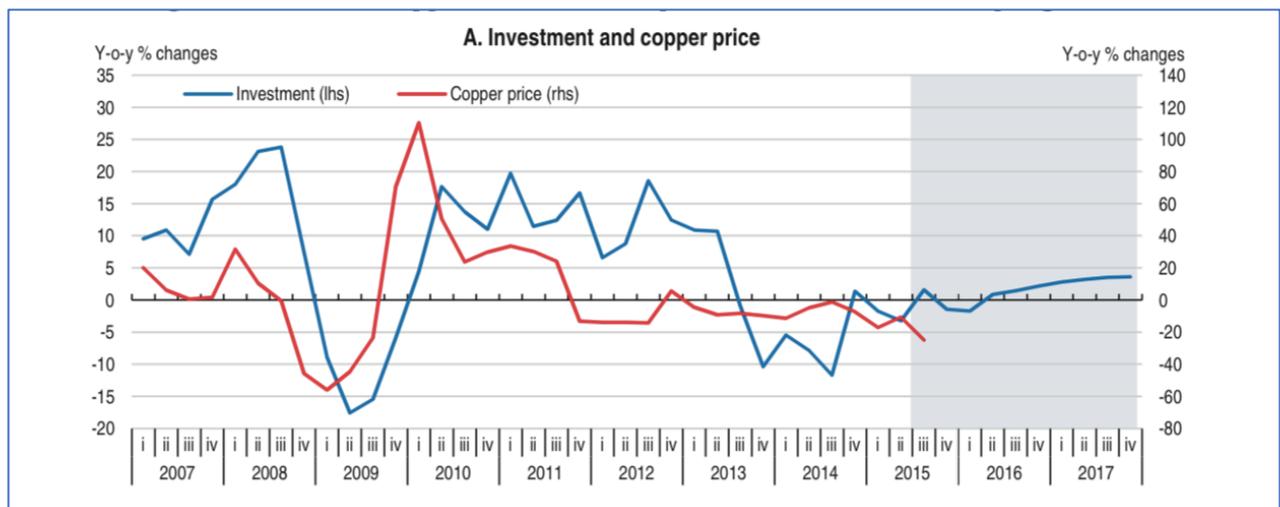
(Source: OECD, 2015b)

As we can see from the above graph, many indicators of well-being for Chile are close to the average of OECD country, with some of them such as subjective well-being even superior to the OECD average, and others very close to the OECD

average, which is a remarkable result if we consider the constraints that Chile faces, due to its geographical configuration, as well as the overall condition of the Latin America region, which has struggled significantly over the last few years, especially after the global financial crisis.

Furthermore, as reported by the OECD (2015b), the increase in disposable income and reduction of poverty in Chile has been among the most rapid in the OECD, due to sound economic reforms, the liberalization of trade, that have managed to control inflation and have reduced uncertainty and attracted investment. Moreover, as the OECD (2015b) remarks, and as we have briefly seen at the beginning of this chapter, the economy of Chile depends mainly on copper, as Chile is the largest producer of the metal, and the country benefitted immensely from the commodity price boom, and investment grew from 2% of GDP in 2002 to about 7% of GDP in 2007, generating positive effects in many other sectors, in particular in constructions, and creating employment. However, due to the cyclical nature of the economy, copper prices have lowered, thus generating a stagnation in the economy, and copper prices are likely to stay low in the future, reducing investment and reducing growth: as a result, output in 2014 was stagnating (OECD, 2015b), as depicted in the following graph:

Graph 150: Investment and copper price in Chile

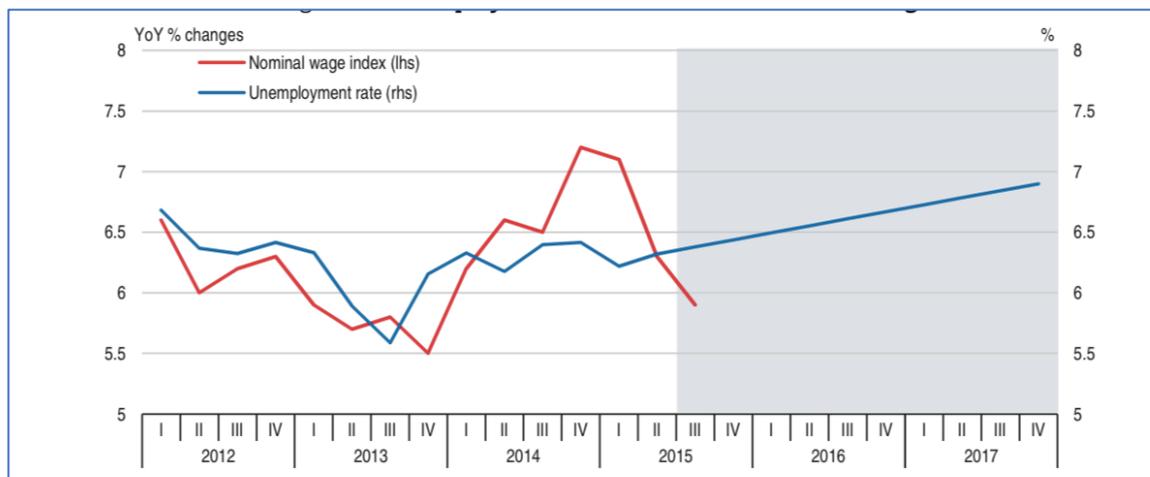


(Source: OECD; 2015b)

As the graph above outlines, the Chilean economy is largely based on copper, which in the past has strongly driven investment, but has now slowed down due to the general fall in prices of commodity, driving down investments as well. Moreover, inflation has risen significantly in the last years, at 4.7% in 2014, above the 2-4% inflation tolerated by the Central Bank, due to the appreciation of the dollar, which has caused much more severe depreciation in other Latin America countries, such as Brazil and Colombia, while external demand both in China and Latin America has decreased, counterbalancing the expansionary effect of the depreciation of the Chile peso (OECD, 2015b).

However, despite the slowdown in output and domestic demand, unemployment rates have remained quite stable at low levels, as depicted in the graph below:

Graph 151: Nominal wage and unemployment rate in Chile



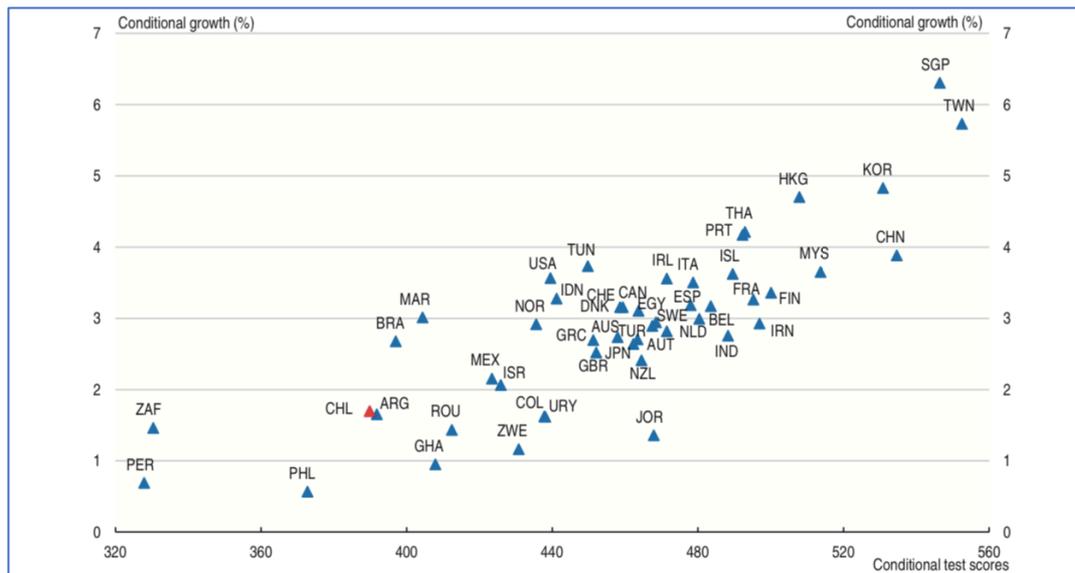
(Source: OECD, 2015b)

As the graph above shows, unemployment has remained quite low, but the discrepancy between weak output and strong labor market has created some concern, thinking, as the OECD (2015b) argues, that it could be a sign that high inflation might be more persistent than projected. Moreover, as the OECD report (2015b) reiterates, Chile faces some medium term problems, as the stronger than expected slow down in China might have severe consequences, along with the reduction of copper prices. Moreover, fiscal rule should be strengthened along with banking supervision, the OECD (2015b) argues.

One main point about Chile's economy and employment is managing to deal with the high inequality and promoting an inclusive growth, strengthening the role of women (as it will be explained in the next section), reforming the pension system, creating a better taxation system, and focusing on education, strengthening the quality of it (see for reference the previous section on education in Chile) because,

as the OECD (2015b) argues, better quality of education increases economic growth, as shown in the graph below:

Graph 152: The link between economic group and education



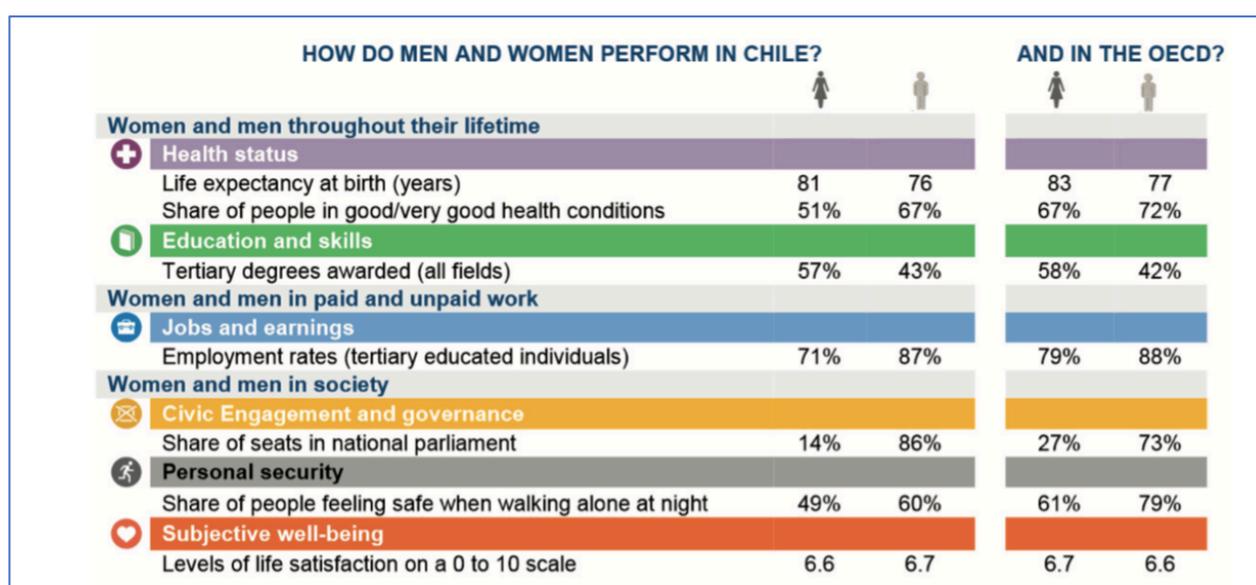
(Source: OECD, 2015b)

To end this brief section of economic growth and employment in Chile, it has been shown that Chile has one of the fastest and strongest economy in the Latin America region, which has helped, along with other factors such as health and education, to achieve a very high level of human development. However, inequality of opportunity, as well as inequality in income, are constituting a threat for the economy and the sound development of the country. Strengthening the role of women, reforming the pension and taxation system, as well as focusing on better quality education, are the challenges that await the country for the Sustainable Development Goals (SDGs) Agenda, and are topics on which the democratic debate can be played.

## 7.9 Women's Empowerment

As goal number 3 of the MDGs called for the promotion of gender equality and the empowerment of women, we can now review the situation of women and the improvement recorded in the time span of the Millennium Development Agenda. As we have just briefly discussed in the previous section on economic growth, there is a strong need to strengthen the role of women in the economy and to include them. If we look at a graph created by the OECD to describe how men and women fare in Chile compared to the average of OECD countries, we see several challenges:

Graph 153: Men's and women's performance in Chile vs. OECD



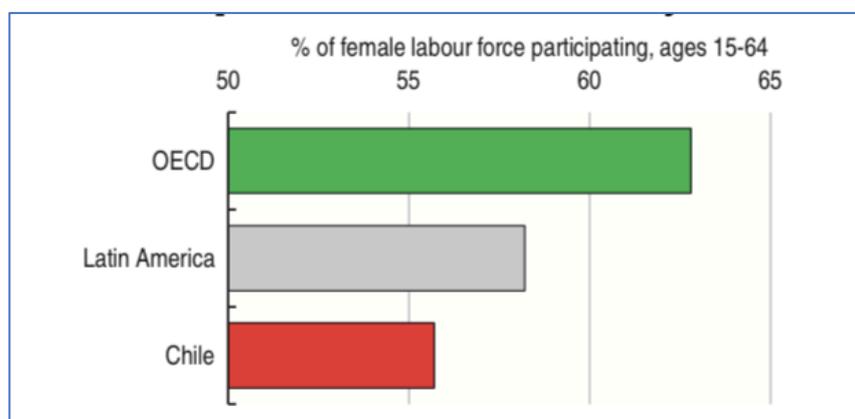
(Source: OECD, 2015b)

As we can see from the above graph, which is quite simple yet conveys very important information, several challenges still have to be faced by Chilean women: first of all, while having a longer life expectancy than men, women suffer from health conditions in a higher percentage compared to men, meaning that their health is not

as good as men’s health. Moreover, while being more skilled and educated, as we have seen for Argentina and Brazil as well, women earn less than men while carrying out the same work; even more demising of women’s dignity, is the share of national parliamentary seats occupied by women (a very low 14% against 86% of seats occupied by men), which shows that women are still cut out from political decisions that affect them as well, and shows that Chile still needs to work to reach gender parity. Moreover, as the OECD graph shows (2015b), women still feel much more unsecure and afraid of being victims of violence, while there is almost no difference between women and men in the level of satisfaction with the quality of life.

Another graph elaborated by the OECD in 2014 and contained in the OECD report from 2015 (2015b) shows that in order to improve the economy and make it more sound and more resilient, the role of women must be strengthened, because, as the graph below shows, it is significantly below not only the OECD average, but below Latin America as well:

Graph 154: Percentage of female labor force ages 15-64



(Source: OECD, 2015b)

As the graph above shows, women in Chile still face discrimination and are cut out from the political world and the workforce, in a much worse situation than what happens in the rest of the OECD countries and in the LAC region as well.

Nevertheless, it is also important to remark the important progress that the country has made since 1990, the year in which the country returned to democracy after Pinochet. The levels of education and participation in the work force for women have greatly increased, and in 2004 the country legalized divorce, while in 2006, Michelle Bachelet became the first women president of Chile<sup>21</sup>, marking a very important moment for the country, and the battle to achieve gender parity and women's empowerment, which is still lagging behind in many parts of the world, shedding light on a global issue. Yet, the efforts of Chile in terms of fulfilling the requirements of Goal Number 3 of the MDGs have been worth of the utmost consideration and are a sign in the right direction.

Despite the good efforts made, several issues that are impeding gender equality and the empowerment of women in Chile persist. These issues all contribute to strengthen inequality in a country where inequality is a scourge and deprives its inhabitants of fair chances and sound development. First of all, as highlighted in a special report by the United Nations in 2009 on Violence against Women in Chile, the unbalance of power is so strong and so eradicated within the society that such unbalance of power is often not even perceived; like we have seen for Argentina, it is a cultural by-product, which makes the fight against it even more difficult.

Moreover, domestic violence against women is still a very common issue, an issue whose extent is still unknown, due to the traditional conservative culture and the lack of national statistics. As the United Nations were referring in their country

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<sup>21</sup> Unfortunately, as we have seen in December 2017, when Bachelet lost the Presidency, she was also the last woman in Latin America to be President, marking the end of women's Presidency in the region.

report on Violence Against Women (2009b), the problem with gender biased violence is that it lays on an unbalance of power that is culturally inherited and is often times not even perceived. But a decisive step was taken in 2004, when a national registry of domestic violence was released by SERNAM, the Government's National Service for Women: the survey carried out since 2001, found out that half women had suffered domestic abuse, 1 out of 3 adult women has been abused physically by a partner, and 2 out of 5 had been emotionally abused in 2004 (Womensenews, 2018). These figures show the extent of the issue, which contributes to the inequality between women and men, which hinders progress.

To conclude this section on women's empowerment and gender parity, the latest Human Development Report 2015 (2018b) reports that Chile has a GDI of 0.966 (the HDI for women is 0.829 and for men 0.858), placing the country in group 2, against 0.982 for Argentina and 1.005 for Brazil. If we look at the GII instead, Chile has a GII of 0.322, ranking 65 out of 159 countries, while Argentina ranked 77 and Brazil 92. In Chile, at least 76.1% of women had reached a secondary level of education, compared to 76.9% of males, and for every 100,000 live births, 22 women die from pregnancy related causes, while adolescents birth rate is 47.8 per 1,000 women of ages 15-19, while women's participation in the labor market is 50.7% against 74.6 for men (UNDP, 2018b), showing that gender parity and women's empowerment in Chile is still a long way ahead, and more profound efforts will have to be made in order to ensure a truly democratic society where men and women enjoy the same right and have a sound, healthy development.

## 7.10 Child well-being

In line with the UN MDG number 4 aiming to reduce by two thirds child mortality (children under the age of 5) by 2015, we can now review Chile's accomplishments for what concerns child well-being. In 1990, the child mortality rate per 1,000 live births was 19.3, but by 2015, such rate had decreased to 8.1. Although Chile was not able to reach the goal, it was close to reaching it. Moreover, the country fared quite well even in Goal Number 5 (reducing by three fourths the maternal mortality rate): the rate went from 57 deaths every 100,000 live births to 22 in 2015. Although here as well, the country was not able to reach its goal, like Brazil and Argentina, there was substantial improvement in the rate of maternal mortality, which is a good sign of progress.

However, in terms of child mortality, estimations provided by O'Ryan, de Miguel Pereira and Lagos (2009) for the year 2015, pointed at a figure of 6.4 deaths per 1,000 live births, which would have meant that if the estimations were confirmed, MDG number 4 would have been reached. This shows that there were substantial throwbacks in terms of child well-being and development. As UNICEF (2003) reported already in 2003, while progress in child well-being had been substantial, with good rates of immunization and widely available health care coverage, spending on social programs to foster children well-being was not consistent. In particular, the inequalities between social segments were and still are a very heated issue on the public agenda, as there is a substantial difference between public and private education (as it has already been shown in the section about education), and in general children from unprivileged families receive a much lower quality education, which impacts the child's development and future and perpetuates the cycle of

inequality, setting the tone of life, employment and social class already by an early age.

But unfortunately, education is not the only problem that afflicts child well-being in Chile. As we have already briefly mentioned in the section on food security, Chile is the country with the highest percentage of obese children. While this may seem like a progress compared to hunger and starvation, obesity is truly the other side of malnutrition, and is indeed as dangerous for human development as malnutrition is. As the WHO (2018) reports, Chile has experienced major demographical, epidemiological and nutritional transitions, which resulted in a rapid increase in obesity, especially in children. Changes in diet and a sedentary lifestyle are the culprits behind the new epidemic of obesity among children and young people in the country: as reported by USDA Foreign Agriculture Service (2012) not only is Chile the second country with the highest childhood obesity rates among children in Latin America, following Argentina, but it also ranks sixth among OECD countries, behind Greece, U.S., Italy, Mexico and New Zealand<sup>22</sup>, and stated that 39% of Chileans between the age of 15 and 17 are overweight, while 300,000 young people are morbidly obese, and to break down the statistics: 27.1 of girls and 28.6 of boys between the age of 5 and 17 are overweight. Obesity is not only common among children, but has become an issue in the general population, depriving people of opportunities and constituting a less evident form of malnutrition.

HIV/AIDS is still a source of worry in the country, and not only among children. Since 2010, new infections have increased by 35% and in 2016, a year after the time span of our analysis, there were 5,000 new infections, and 61,000 people lived with HIV (UNAIDS, 2018): about 500 children aged 0 to 14 were living

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<sup>22</sup> The OECD places Mexico in front of Chile in terms of childhood obesity in 2012, while the FAO places Mexico behind Chile in 2015.

with HIV and there were about 100 new infections with HIV in children aged 0 to 14, while about 6,800 children aged 0 to 17 were orphans due to HIV/AIDS related causes. These data are alarming especially if we think about the massive information that has taken place on HIV/AIDS since its appearance and to see that infections have been rising since 2010 in one of the most advanced economies of Latin America is an alarming fact. In 2017, a report by UNAIDS (2018) found that Chile was the Latin America country with the highest percentage of new infections since 2010, and while the statistics by UNAIDS talk about a 35% increase since 2010, data from the SIDA Chile ONG argue that data from the department of Health show that new infections have increased by as much as 66% (USNEWS, 2017). Moreover, while Chile is still a very conservative country, HIV is once again, linked to inequalities: safe sex is much more common among pupils of private schools (60%) than those of public schools (37%), signalling that a better education can have repercussions to all aspects of life, even health.

To conclude this brief section on child well-being in Chile, which has only aimed at providing an overview of the main accomplishments and challenges that children face in Chile, we can see that inequality is a very complicated issue, with different ramifications, so profound that they even touch upon health, well-being, and can deprive a child of his or her mother, due to poor health, deadly diseases such HIV/AIDS and can have a deep impact on how a life evolves. While Chile has accomplished significant results in indicators of child well-being, inequality still remains the scourge that needs to be tackled, in order guarantee equal rights to all children from all social levels.

## **7.11 Infrastructure, development and social issues**

As reported by the OECD (2017b), in terms of infrastructure, Chile has been very successful over the 25 years taken into account, as it was able to build good basic infrastructures, that have helped the economy grow significantly. In particular, significant investment has allowed the Chilean economy to grow, with a GDP going from USD 4,785 in 1990, to USD 22,197 in 2015, and substantial investments in drinking water and sewerage, and also near universal access to electricity from the national grid. But economic growth has been uneven, as we have already discussed during this chapter, and it has led to capital accumulation, and uneven distribution of capital at geographical level (OECD, 2017b). Moreover, over the past two decades, significant investment has been made to build a major highway and port system: a main route (Route 5) connecting North to South and the main cities has been built, and the total container capability at major ports in Chile has doubled in the decade 2004-2014, and the country has also been able to implement its wastewater capacity to 100% (OECD, 2017b). As the OECD (2017b) remarks, all this progress in investment has been a sign of the very good quality of the country institutions, and has proved Chile's commitment to development, to fighting corruption and rent-seeking behaviour, which are often seen in the infrastructure sector, and which very often stall the progress of the countries, especially in the Southern regions of the world. Moreover, the country has been able to mobilize private investment to develop its infrastructure, and since 1982, the country has been able to attract major investment (82 projects worth USD 19 million) and has been able to build 2,500 km of highways through this method (OECD, 2017b).

Yet, despite this significant progress, and the fact that the main infrastructures have been completed, there are still some issues that might endanger the future

development of the country. As the OECD (2017b) indicates, while the main infrastructures have been completed, further investment is needed in terms of transport and water, and there are main differences among the regions, and between national and regional level, and there are problems of access due to inequality, which is one of the main detriments to the development of a nation. Moreover, as the OECD (2017b) highlights, the Chilean economy has been slowing down significantly, both as a result of a global slowdown, and for lower copper demand, on which the economy of the country is based, and it might be difficult in the future to attract the volume of private investment that Chile was able to attract in the past. Moreover, due to the geographical features of the area, climate change might represent a real problem for the country, which will need to be prepared for the challenges that might come in the future, and incorporate resilience and preparedness to extreme events in future infrastructure planning; moreover, it might be difficult to sustain a good level of growth while respecting the Paris Agreement to cut down on carbon emissions. All these challenges will have to be faced in order to guarantee a sounder development, which should be truly inclusive and battle the high inequality that characterizes the country.

In terms of development, as the OECD (2017b) remarks again, the country is still highly committed to development aid: in 2015, the country invested USD 33 for development, with a significant decrease from the year before (49 million) and channelled USD 22.8 million through multilateral organizations. In the same year (2015), Chile renamed its cooperation agency to Chilean Agency to Cooperation and Development, introducing the concept of development, and set out a vision for 2030 which aimed at: promoting people's dignity, strengthening democracy, promoting peace, strengthening the role of LAC in international governance, and supporting

regional integration and convergence in LAC region. All this, with the aim of promoting inclusive and sustainable development, in order to combat the high inequality in the country. Overall, Chile is very engaged in funding development aid, operating through scholarships and technical assistance mainly in the LAC region.

In terms of social issues, to compare with what we have seen in Brazil, where violence and crime have a very significant weight and take away a lot of the country's human capital and financial resources, and to Argentina, which still has a very high rate of crime, especially in the Buenos Aires Great Area, Chile is quite safe. Crime in the country mainly consists in petty crimes, such as pickpocketing, vehicle theft, telephoning scam, and robberies (OSAC, 2016). This is particularly significant in respect to the geographical context, with Latin America being the most murderous region on the earth: in this respect, Chile is the safest country in LAC, with just 2.74 murders per 100,000 people in 2013 (The Guardian, 2015). As it is easy to imagine, this is a key issue for battling inequality: a country that does not have to mobilize many of its financial resources into fighting crimes, and that does not lose human capital and GDP due to violence and crimes, can better utilize its resources on key issues that can help solve the inequality problem. As we have seen, education is a key factor in Chile, especially due to the growing poor quality of public education, and is certainly a piece of the puzzle where the country can and must substantially invest. As a matter of fact, since 2010, Chile has seen social unrest due to the poor quality of public education and the lack of social inclusion that the country experiences (Dammert, 2012). This might be the most effective way that the country has to finally solve its long lasting inequality problem.

## 7.12 Conclusion

As this first chapter on Chile has tried to show, by analyzing important dimensions such as demographic changes, monetary and multidimensional poverty, income inequality, growth, employment, women's and children's condition, infrastructure and social issues, progress in the country has been fast-paced and impressive; yet, inequality is still a very urgent issue. While the country has achieved impressive results in terms of economic growth, becoming one of the strongest, if not the strongest, economy in Latin America, and while performing extremely well in terms of human development, Chile is still a very conservative country, where inequality, of income and opportunities, is still prevents the country from reaching its full potential.

Inequality in Chile is a very complex issue, with deep rooted causes, and it is present in many aspects of life: it deprives women of their fair opportunity of participating in the social and political life of the country, it deprives children of a sound public education, of the chance to have equal opportunities of succeeding in life, it deprives them of the right nourishment, it extends to people's health, and it pushes people into segregation and discrimination, it violates their constitutional rights to food, education, health, work and housing. Inequality is a silent enemy and its ramifications clash with the image of the fast growing economy, the only Latin America country invited into the OECD group.

The next chapter will conduct data analysis on the relationship between inequality and democracy, to see how both impact each other. But this chapter has tried to show, in a more articulated way, how inequality impacts some of the most fundamental dimensions of democracy, that include constitutional rights such as health, employment, participation in the political life, and are at the base of a

democratic society, and must be respected and strengthened, if the country is to achieve real equality and social inclusion that leaves no one behind.

8 CHILE: POVERTY, INEQUALITY AND DEMOCRACY: DATA ANALYSIS  
(1990-2015)



## 8.1 Introduction

During this second chapter on Chile, I will conduct research on the state of democracy in the country in the time span from 1990 to 2015, and explore the relationship between poverty, inequality and the quality of democracy, by using the definition as elaborated by Morlino (2011).

Just as I did in the chapters for Brazil and Argentina, in the first part of the chapter, I will present mainstream analysis on democracy according to data from Freedom House, as this will provide a good overview of the progress of democracy in Chile over the time span of 25 years, highlighting the important progress that the country managed to achieve, as it turned into the most stable economy and a high quality democracy in Latin America. Moreover, just as it was done for the other two countries, I will also present data from Latinobarometro, on the perception of democracy as recorded by Chileans, as this will provide important information over the satisfaction of Chileans with their country and their democracy. Research from the years 1998, 2005 and 2015 will be conducted to see how Chileans feel about their democracy, where they see challenges and how things could be improved. The time span taken into account will provide important information of how the country fared in relationship with the MDG agenda and how it improved its democratic structure.

The first part of the chapter will also present the situation of human rights in the country, trying to investigate the state of human rights and democracy, which could offer important insight on how Chile became the most progressed country in Latin America in the 25 years taken into account, and was able to withstand the harsh economic crisis which impacted so heavily both Argentina and Brazil. Finally, the chapter will also present analysis on other indicators, such as corruption, as that

is a very important proxy for the state of a democracy, and is particularly relevant in a region which is plagued by the phenomenon of corruption. I will also present other indexes, which aim at providing a clearer picture on the state of democracy in Chile, by expanding the concept of democracy as *the government by the people for the people*.

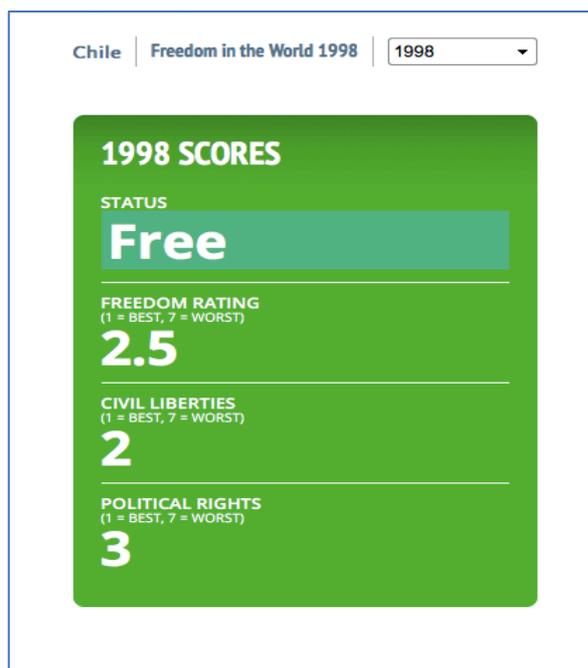
The second part of the chapter will focus on the concept of quality of democracy as elaborated by Morlino (2011, 2016 and 2017), it will analyze how Chile's quality of democracy is faring, and if we can identify a clear relationship between inequality and the quality of democracy, as attempted for Brazil and Argentina. Indicators of poverty, inequality and human development will be discussed in their relationship with democracy, to identify whether there could be a pattern. This is also relevant due to the fact that Chile is the most successful country in Latin America, and it managed to record this incredible success in the 25 years taken into account. A thorough analysis of how it managed to do so could provide important policy implications for the whole region.

## 8.2 Freedom House: Chile 1990-2015

This section presents the main democratic features of Chile for the period 1990-2015, as outlined by Freedom House. As we have already seen in the chapters on Brazil and Argentina, Freedom House is an independent organization which aims at promoting human rights and democracy around the world. Analysis over the course of time will be provided, as it will show the progress in terms of democracy that Chile made over the 25 years of the MDG agenda.

As already explained in the other chapters, data analysis starts in 1998, the first year for which data from Freedom House are available. If we look at data for such year, we can see that Chile was faring much better than Brazil (which was only partially free and scoring between 3 and 4 and Argentina, which was considered free but was scoring 3 in all sectors:

Graph 155: Chile Freedom House rating 1998



(Source: Freedom House, 2018g)

As we can see from the above graph, in 1998 Chile was already considered as a free country (while, as we have said, Brazil was partially free and Argentina was free but with worse scores in Freedom rating, civil liberties and political rights).

The year 1998 was particularly relevant in Chile as it marked the end of Pinochet's influence in the country: as a matter of fact, in 1998 Pinochet stepped out of his role of head of the military and was due to assume the role of senator-for-life, thus maintaining his influence in the Senate, but instead he was detained in Britain on a Spanish extradition. This caused severe conflict between the civil and military society, and caused the worsening of political rights from 2 to 3 due to such conflict, generating a very severe polarization in the country and creating a very harsh conflict (Freedom House, 2018g). In general, in 1998, citizens were free and could choose their government, but the Pinochet detention showed how divided the Chilean society still was and how difficult the transition to the democracy had been for the country. Moreover, the military in Chile still had a very strong power, and although there had been several attempts to bring to justice the perpetrators of crimes during the military regime, military courts could still press charges against civilians and act both as victims and judges (Freedom House, 2018g). Finally, Chile had a very strong trade union representation, and corruption, in a context of widespread corruption such is the LAC region, was relatively low and thus the country enjoyed more stability and a lower sense of powerlessness. Finally, a 1993 law prohibits the lands of Indians to be sold, expropriated or embargoed, but the government has often failed to represent and protect the Mapuche community (Freedom House, 2018g).

If we look at Chile for the year 2005, we can see outstanding progress, not seen for the other two countries, with significant improvement in the scores of political rights and civil liberties; the country managed to achieve a score of 1 (maximum) as outlined in the graph below:

Graph 156: Chile Freedom House rating 2005



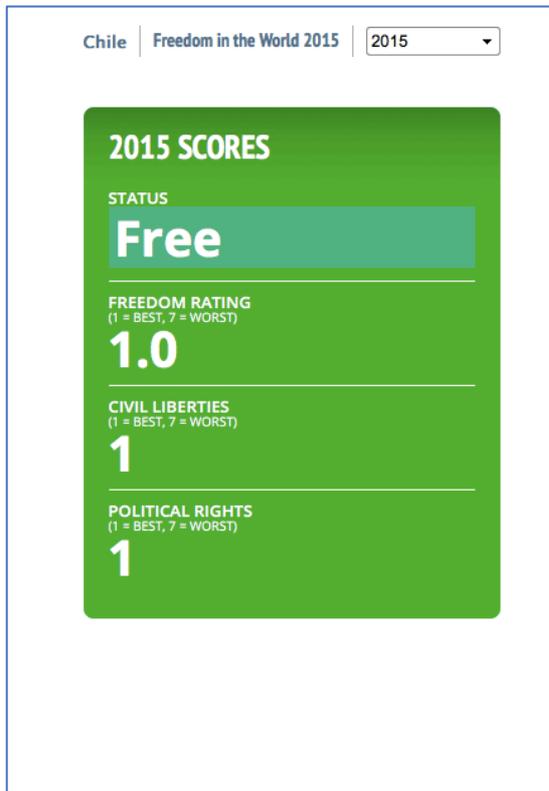
(Freedom House, 2018h)

As we can see from the above graph, the scores for Chile in 2005 are unprecedented in the region and show the strong and sustained progress that Chile experienced at the turn of the Millennium. If we compare the scores with the ones for Brazil and Argentina, we can see that while all the three countries are considered as free in 2005, Brazil has a freedom rating of 2.5 and Argentina 2, while for civil

liberties Brazil scores 3 and Argentina 2, and for political rights, both Brazil and Argentina score a 2. Chile instead achieves a 1 in all dimensions and in its freedom rating, which is an outstanding result and really makes Chile stand out and classify as a very high quality democracy.

As far as the rating is concerned, the improvement in the 7 years from 1998 to 2005 is to be justified by the constant erosion of Pinochet's influence in the political life of the country, due to the prosecution by the Spanish government of Augusto Pinochet, and other scandals involving the former Chilean dictator, such as the discovery of private bank accounts containing up to USD 8 million in a US bank account (Freedom House, 2018h). Moreover, the public outcry against corruption scandals involving officers from the Central Bank, led the government by Lagos to force the opposition to pass a series of reforms to battle high profile corruption cases. In the same year, the Supreme Court ruled Pinochet unfit to undergo trial for the Death Caravan trial, and 2005 saw the comeback of the right wing party after 15 years, especially after it separated itself from Pinochet; this was largely due to the failure by the government of Lagos to handle the main problems of the country (Freedom House, 2018h). While in general the country has really good records in both civil liberties and political rights, the citizens of Chile still face some problems: in particular, the right of indigenous people, which in Chile in 2005 amounted to 1.2 million (the majority were Mapuches), were still disrespected and their lands expropriated; moreover, violence against women and children is still a source of concern (Freedom House, 2018h). If we look at Chile's state of democracy for the year 2015, the last year of our analysis, we can see that the progress made in 2005 had been maintained, as outlined in the graph below:

Graph 157: Chile Freedom House rating 2015



(Source: Freedom House, 2018i)

The above graph shows that the country managed to keep its very good scores throughout the ten years that elapsed from 2005 and 2015, also taking into account that the 10 years were marked by a global crisis that started in the USA in 2007 and had a domino effect on the whole world. In 2015, Michelle Bachelet had passed a series of reforms to increase taxation of companies and diverted money towards public spending and social reforms; Bachelet also promised to solve the Mapuche situation, and had appointed a politician of Mapuche descent in the ARAUCANIA region, to battle poverty and end the socioeconomic inequality (Freedom House, 2018i). Moreover, small bombings in Santiago metro stations which had

injured 14, led Bachelet to open discussions to reform the counterterrorism legislation.

As we have seen for Brazil and Argentina, Freedom House introduces a rating for political rights and civil liberties; in terms of political rights the country gets 39/40 (while Brazil got 33/40 and Argentina 31/40): electoral processes gets 12/12, with general elections in November 2013 considered as free and fair, political pluralism gets 15/16, due to the failure by political parties to voice the indigenous question; functioning of government gets 12/12, with very low levels of corruption compared to the region, and the passing of a law in 2007 which protects those who expose corruption, with Chile ranking 21 out of 175 in corruption (see section 8.5 for a thorough analysis of the issue) (Freedom House, 2018i).

In terms of civil liberties, the country scores a total of 56/60 (Brazil scored 48/60 and Argentina 49/60): freedom of expression and belief gets a total score of 16/16, as freedom of expression is guaranteed with free media, despite the fact that a Spanish media company controls 60% of the radio station and two Chilean companies own 95% of newspapers; freedom of religion is allowed and the government does not restrict academic freedom and there is no ban on the internet; association and organization rights gets 11/12, as Chileans can assemble and form non-governmental organizations freely, despite antiunion practices by private employers being common; rule of law gets 14/16, with an independent judiciary and the strong commitment by government to investigate and prosecute police abuses and to remove the amnesty laws protecting the militaries; however, indigenous people and members from the LGTB community face discrimination despite the commitment by the government to address their situation; personal autonomy and individual rights gets 15/16, as the Constitution recognizes freedom of movements,

despite the fact that indigenous people, women and children are still victims of violence, and the country is a destination and transit route for human trafficking and sexual exploitation (Freedom House, 2018i).

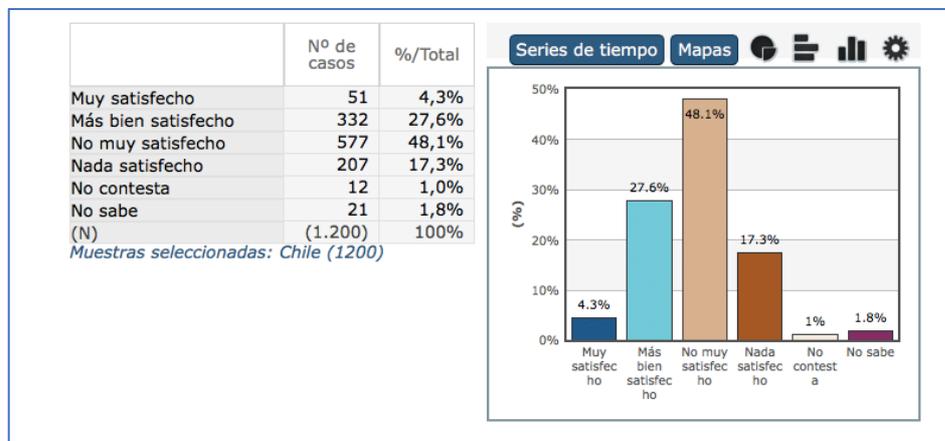
To conclude this brief section on democracy in Chile according to Freedom House in the 25 years taken into account, we can see that the country managed to achieve unprecedented outstanding results in terms of freedom rating, political and civil rights and liberties, despite the difficult international situation and the worsening of the economy in the region, and can be considered as one of the highest rating democracies in the region, and an example for many.

### **8.3 Latinobarometro: Perceived Democracy in Chile (1990-2015)**

In line with the analysis carried out for Brazil and Argentina, we can now look at data from Latinobarometro, the most relevant survey organization in Latin America, to see what Chileans think about the state of their democracy. As we have already seen for Brazil and Argentina, data analysis will be conducted for the year 1998, 2005 and 2015, to be consistent with the analysis carried out with data from Freedom House, and to record progress and challenges of the 25 years taken into account. Analysis of the perception of citizens in Chile is particularly relevant, not only to reflect the idea of *government by the people for the people*, but also to show the situation of a country which experienced possibly the worst dictatorship among the three (although Argentina's regime was very cruel as well) and which was always characterized by highly polarization and a sense of devotion towards Augusto Pinochet, up to his death. In particular, questions such as what is the best form of government could prove highly significant in this context.

The graph below outlines how satisfied citizens were with democracy in 1998:

Graph 158: Chile Level of satisfaction with democracy 1998

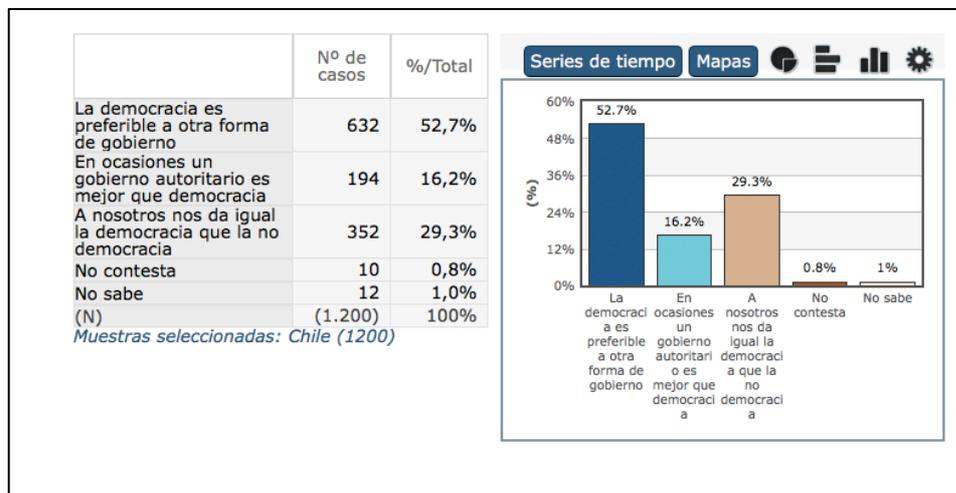


(Source: Latinobarometro, 2018c)

While Freedom House listed Chile as free in 1998, and gave it a democratic score of 2 (with 1 being the best score, and 7 being the worst), the majority of the citizens were mostly unsatisfied with democracy (a total 65.4%, with 48.1% not very satisfied and 17.3% not satisfied at all), while only 31.9% were satisfied (27.6% quite satisfied and 4.35% very satisfied). Remarkably, Chile, which was faring better according to Freedom House (2018g), was the one with the lowest level of satisfaction towards democracy, possibly due to the large influence that ex-dictator Augusto Pinochet still had in the Chilean society, as head of the military.

However, despite the strong discontent with the current state of affairs, support to democracy was very strong, as the following graph outlines:

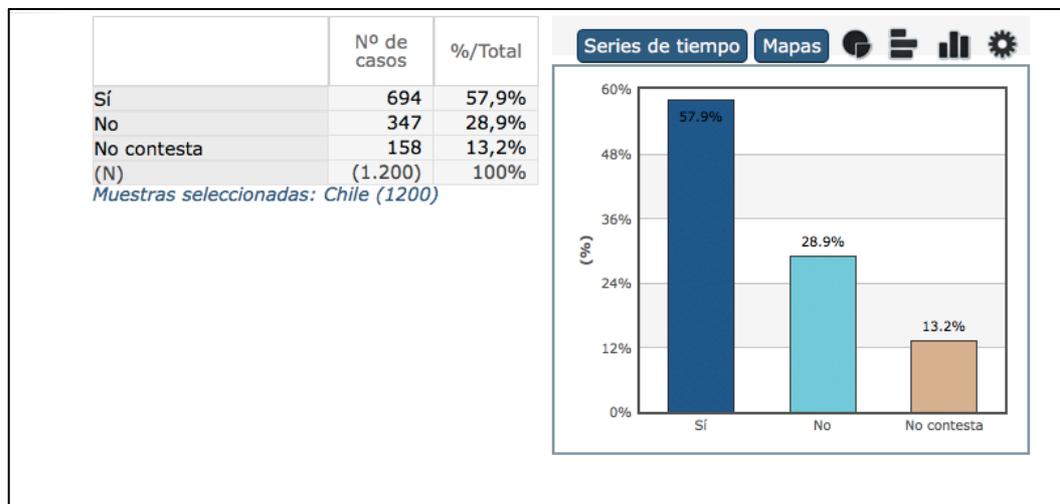
Graph 159: Chile Political regime preference 1998



(Source: Latinobarometro, 2018c)

As the graph shows, support to democracy is extremely high as the majority of the people (52.7% against 45.8%) still believe that democracy is the best form of government, while 16.2% think that sometimes an authoritarian regime is better than a democratic one, while 29.3% think that their life would not be affected whether or not the regime was democratic (this is a very high percentage, which shows the ambiguity of the Chilean society and the disenchantment that the Chilean society was experiencing). Moreover, as the following graph shows, a majority of the population would be ready to defend democracy if democracy was threatened (57.9% against 28.9% who instead would not defend it):

Graph 160: Chile Support for democracy 1998

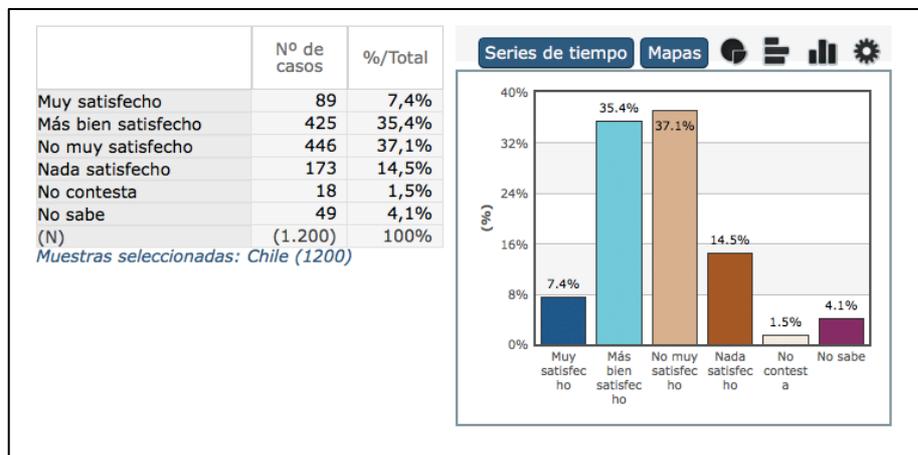


(Source: Latinobarometro, 2018c)

These figures are significantly lower than what they were for Brazil and Argentina, possibly due to the ambiguity of the Chilean society, which had returned to democracy, while the country's political life was still overshadowed by Pinochet.

If we look at data for 2005, when the country, according to Freedom House, had managed to reach the highest score in terms of freedom rating, civil liberties and political rights, we can see that satisfaction with democracy is still very low, as the next graph shows:

Graph 161: Chile Level of satisfaction with democracy 2005

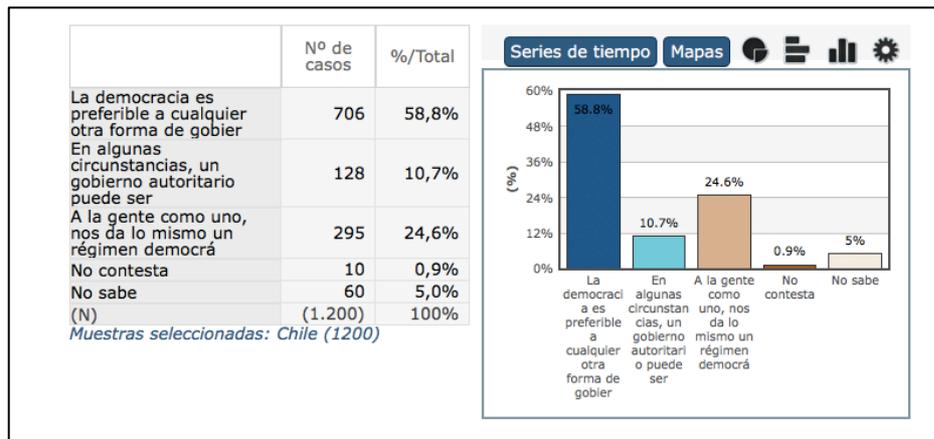


(Source: Latinobarometro, 2018c)

As we can see from the above graph, still the majority of Chileans are not satisfied with democracy, with a total of 51.6% of people not satisfied (37.1% not really satisfied, and 14.5% not at all satisfied), and 42.8% satisfied (of which only 7.4% very satisfied, and the remaining 35.4% quite satisfied). Again, we see a profound sense of disenchantment with the democracy of Chile, although the country is among the highest quality democracies in Latin America.

The next graph outlines support for democracy for the year 2005, showing however that support for democracy has increased, with more people believing that it is the best possible form of government:

Graph 162: Chile Political regime preference 2005

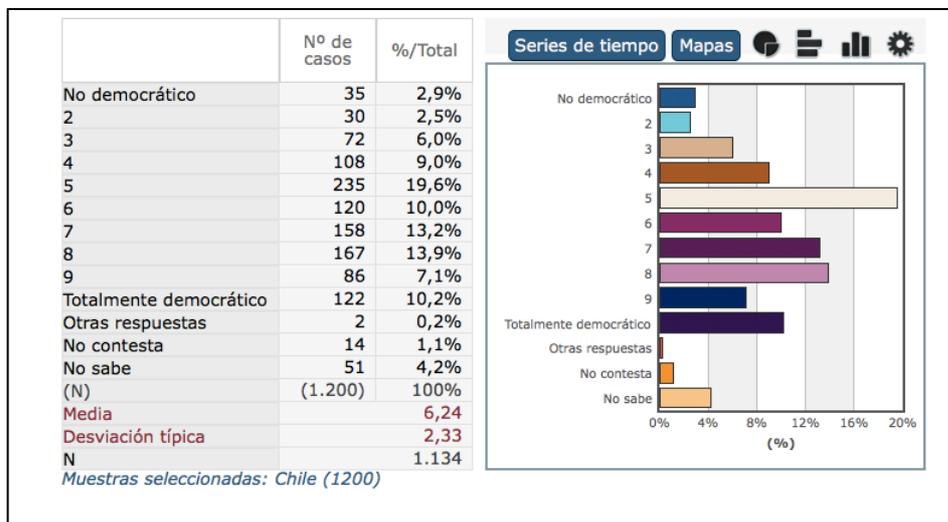


(Source: Latinobarometro, 2018c)

As the graph above shows, now 58.8% (against 52.7% in 1998) think that democracy is the best possible form of government, while 16.2% (against 17.3% in 1998) believes that sometimes an authoritarian government is better than a democratic one. Also, the number of people that think that either a democratic government or an authoritarian regime are the same decreased by 5% (from 29.3% to 24.6%), possibly reflecting that Pinochet's grip on the political life of the country had ceased.

Also for Chile, as it happened for Brazil and Argentina, data from 2005 do not contain the question about support for democracy anymore, but contain a very important question, which is how democratic citizens think their country is on a scale from 1 to 10. The graph below highlights results:

Graph 163: Chile Level of democracy 2005

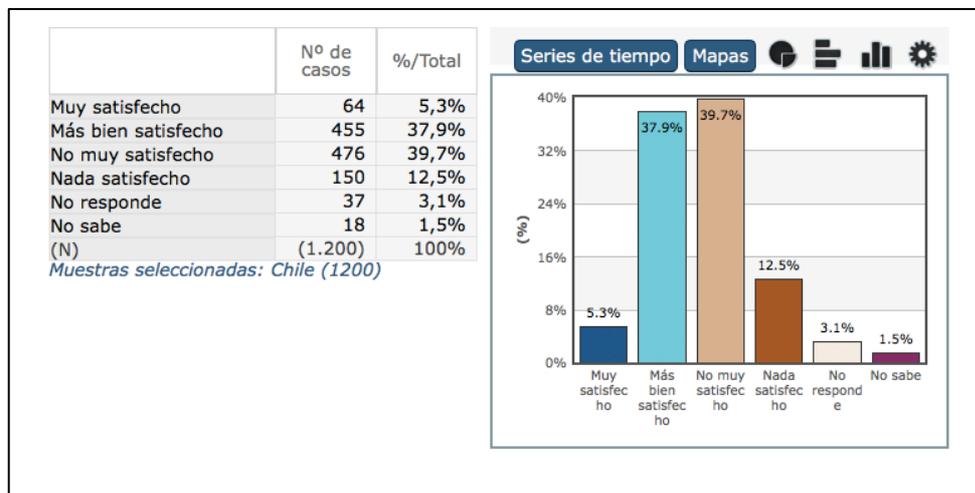


(Source: Latinobarometro, 2018c)

Similar to what people had declared for Brazil and Argentina, results show that according to Chileans, in 2005, Chile was not a totally democratic country, but the majority of the people indicate that on a scale from 1 to 10, the country scores a 5 in terms of democracy, which is a very low result.

Finally, data from the last year of our analysis, 2015, show that despite the good results recorded in freedom rating, civil liberties and political rights, and the ability to leave the past behind, there is still little satisfaction with democracy in Chile, in spite of it being one of the high quality democracies in Latin America:

Graph 164: Chile Level of satisfaction with democracy 2015

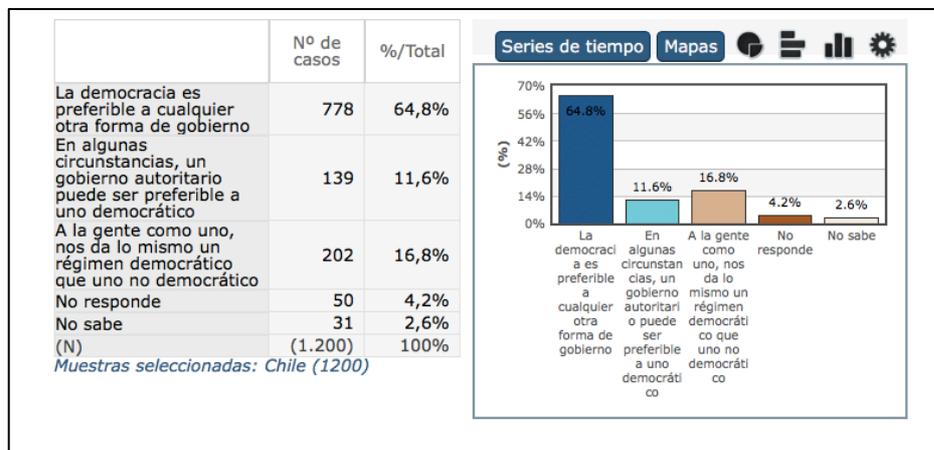


(Source: Latinobarometro, 2018c)

As the graph above shows, the level of satisfaction is still quite low, with a total of 43.2% satisfied with democracy (37.9% quite satisfied and 5.3% very satisfied) while 52.2% of the people are not satisfied (39.7% is not very satisfied and 12.5% is not at all satisfied). As we said, this level of dissatisfaction with democracy clashes against the real evaluation of the state of democracy in Chile, as we have seen from data by Freedom House in the previous section.

However, despite the bad perception of people, an overwhelming majority of the people believes that democracy is the best form of government, as the next graph outlines:

Graph 165: Chile Political regime preference 2015

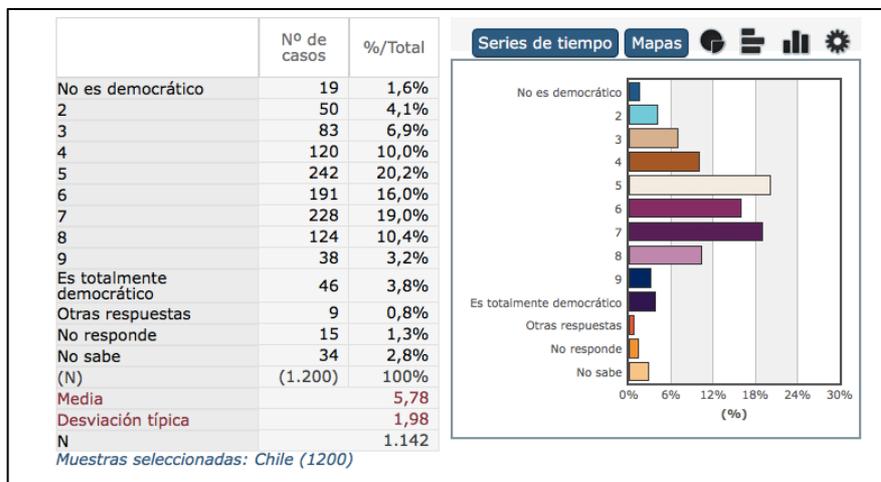


(Source: Latinobarometro, 2018c)

As we can see, 64.8%% of Chileans believe that democracy is the best form of government, an increase by about 6% compared to 2005, and 12% compared to 1998, while less people than in 2005 (about 16% in 2015, against 24% in 2005) think that it does not matter.

However, as the next graph shows, Chileans still believe that their country is not very democratic, similarly to Brazil, the majority of the people rate their country as a 5 out of 10 in democracy, while in Argentina the majority gave a 7, as the next graph shows:

Graph 166: Chile level of democracy 2015



(Source: Latinobarometro, 2018c)

As can be seen, there is some progress with respect to the year 2005, as in that year the majority of the people thought that on a scale from 1 to 10, Chile fared 5 in terms of democracy, while now the country fares among 5 and 7. These results are very different from what we have seen for Brazil and Argentina, as in Brazil citizens are rather dissatisfied with politics in their country and think that their country is not very democratic, mainly due to the high level of corruption and the high level of violence, together with the high level of poverty and the lower education of the Brazilians. The perception by Brazilians is indeed backed up by data, while in Argentina citizens appear quite satisfied with their democracy, possibly due to the historic role of universal education and public health. Moreover, the Kirchner government placed high importance in social programs, just as Lula's PT did. Yet, if we look at data from Chile, we can see that despite Chile being one of the strongest economies in Latin America, and one of the highest quality democracy, Chileans are not completely satisfied. There is indeed an improvement in the years taken into

account: from 1998 to 2015 the level of satisfaction increased significantly, possibly due to the loosening of Pinochet's grip on the political life in Chile. However, the level of satisfaction is not as high as one would expect when examining data from Freedom House.

To conclude this brief section on the state of satisfaction and perception of Chilean citizens about democracy, we have seen that Chileans are rather dissatisfied with democracy, despite the good results and many achievements the country managed to record in the 25 years taken into account, leaving behind a very difficult and polarized political situation. However, promising enough, faith in democracy is still strong. Further research might be necessary to examine why Chileans' perception of democracy is so negative, despite the good results the country managed to secure.

#### **8.4 Human Rights Watch: Human Rights in Chile (1990-2015)**

As we have already seen for Brazil and Argentina, human rights protection is a very important part of every sound democracy, as there is a direct correlation between the good functioning of democracy and the protection of human rights. This is particularly relevant for Chile, due to the massive abuse of human rights that the country experienced as one of the worst dictatorships of the 20<sup>th</sup> century, in which human rights were constantly violated and abused, and many lives were lost as a consequence of the abuse of human rights. Keeping track of human rights protection in this 25 years is very important as it allows to rightly state whether or not the country managed to secure its path to democracy, especially in the very beginning, when the influence of General Augusto Pinochet was still so paramount in the political life of the country.

As Human Rights Watch (1999) reports, in 1998 the main concerns for Human Rights was caused by the arrest of Augusto Pinochet in England, due to an extradition request by a Spanish judge. As Human Rights Watch (1999) reports, it was not possible to process Augusto Pinochet in his own country, due to the high polarization of the Chilean society, and the fragility of the democracy in Chile. Despite the attention that the Pinochet arrest received, and despite trying to pass the idea that justice would eventually catch up with the perpetrators of abuse, there was still a sense of impunity among the military. However, on a positive note, in the same year, there was the arrest of three generals and 35 officers and former officers of the military for abuses against human rights: despite the amnesty laws in force since 1978, the Supreme Court has allowed the trials to continue (Human Rights Watch, 1999). The Pinochet arrest also highlighted the need to reform the Constitution, in particular to abolish seats appointed in the Senate. Yet, the Pinochet arrest

highlighted a profound need to still overcome Chile's difficult and violent past, which is still dividing the country and having an incredibly high cost on the democratic life of the country, as Pinochet was able to detain about 40% of the consensus in 1988, during the Plebiscite which saw him stepping down. Moreover, the leftist government which had assumed power since Pinochet stepping down in 1990, had tacitly accepted Pinochet's immunity, which was one of the unspoken rules of the transition and the negotiation with the military. For a long time, human rights were abused in Chile, and also the leftist government led by President Frei had not really addressed the issue properly, and had not given justice to the families of more than 1.500 desaparecidos who were still waiting for justice and to know the fate of their family members (Human Rights Watch, 1999). Moreover, in the same year, the US Administration, under President Clinton, accepted to abide by Spanish requests to declassify some documents which showed the involvement of the CIA in the coup against Salvador Allende, the connection between Pinochet and DINA's Contreras, and the existence of secret bank accounts held by Pinochet in the USA. Thus, if we look at Chile at the end of 1998, when the country was already classified as free and was getting excellent scores in civil liberties and political rights, we see a country still on a very fragile path to democracy, highly polarized, with Pinochet still enjoying a very high position in the political life of the country, and which had still not managed to reconcile its violent past.

When we look at human rights protection for the year 2005, we can see that much still needed to be achieved, as reconciliation with its past seemed still difficult to achieve. As Human Rights Watch (2006c) reports, progress to prosecute those responsible during the Pinochet era continued, but had to face several challenges: the Chilean Supreme Court ruled that all investigations into crimes committed during

Pinochet had to be concluded by July 2005, but due to the attention that such provision attracted from local and international human rights, the decision was repelled. Pinochet was still facing several crime charges, but before he could be processed, the courts had to decide whether to strip him of his immunity, for each case. Some of the decisions by the Supreme Court were ambiguous, as sometimes Pinochet's immunity was lifted while others it was maintained, while other times mental incapacity was used to block charges (Human Rights Watch, 2006c). Moreover, in the same year, Lagos leniency towards low ranking officers serving under Pinochet created public outrage (Human Rights Watch, 2006c). As it can be seen, 7 years after Pinochet was actually detained in England on petition of a Spanish judge, it was still very difficult to bring him to face the consequences of his wrong-doings.

But reconciling Chile's difficult past was not the only challenge that the country had to face in 2005: as Human Rights Watch (2006c) reports, other challenges included terrorism against the Mapuche, the indigenous people of Chile, while progress included the easing of legal restrictions on free expression, protection against discrimination from HIV, and reforms of the criminal justice system, which had long been called for.

As we can see by looking at 2005, while the country managed to score very good results for freedom and political rights and civil liberties, as indicated by Freedom House, it still appeared as having a very difficult time in reconciling its difficult past, and the Chilean society appeared highly polarized.

When we look at the situation of human rights protection for the year 2015, the last year of our analysis, we see that despite a leftist government, challenges still remain. As a matter of fact, as Human Rights Watch (2016c) reports, in 2015 the

country was still attempting to reconcile its difficult past: by March 2015, it was announced that about 1056 cases of human rights violations committed during the military regime were being investigated, and many sentences had been passed, although many times the Supreme Court had reduced the sentences or granted parole to victims of crimes against humanity. Manuel Contreras, DINA's chief under Pinochet, died in August 2015 in a military hospital, while serving an accumulated 529 years of conviction for crimes against humanity. However, bringing the perpetrators of crimes against humanity before justice still remained a challenge, due to the secrecy and the impunity that still prevailed among the military (Human Rights Watch, 2016c). Moreover, other problems persisted in the country: the country did not manage to renew its anti-terrorism law, military courts continued to have jurisdiction over abuses committed by the Carabineros, police abuses continued both against civilians during protests and Mapuche indigenous community, torture by police and prison guards was often sued, prisons were still overcrowded, and discrimination for sexual orientation and gender was still practiced, while Chile is one of the four countries in Latin America with absolute prohibition on abortion (Human Rights Watch, 2016c).

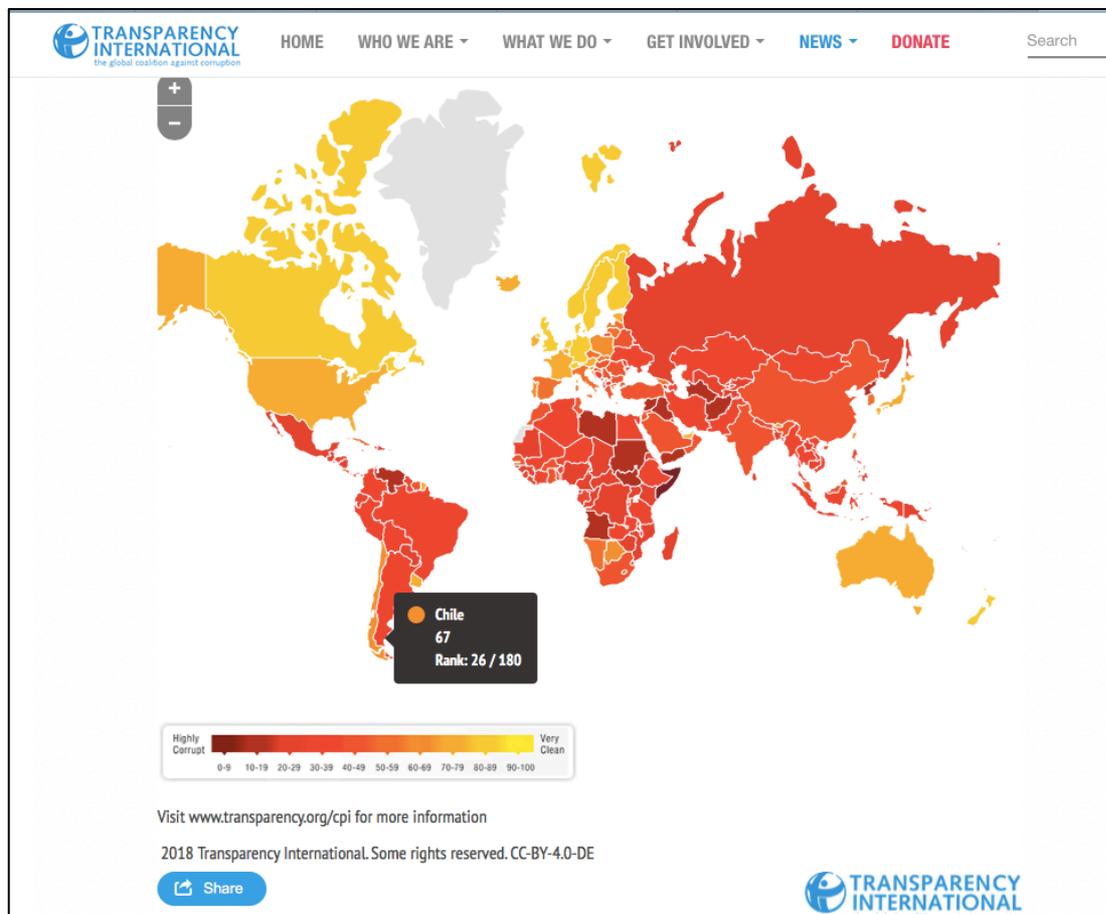
As we can infer from the analysis of 2015, while Chile was scoring the highest results in terms of freedom and political rights and civil liberties, and was considered as a high quality democracy, several major challenges still persisted. While the situation is definitely better than Brazil (one can think about the high level of violence in Brazil, and to some extent even in Argentina, which is totally unknown in Chile) and Argentina, some concerns still need to be addressed, in particular with regards to women's condition, condition of minorities, and the ability to bring justice to the victims of Chile's troublesome past.

## **8.5 Corruption, happiness and other indexes (Chile 1990-2015)**

As we have seen in the previous sections for Brazil and Argentina, corruption is one of the main problems that a country can face, as it can stall the development of the country, and undermine the sense of legitimacy and democracy, depriving citizens of faith and trust. In particular, the LAC region is threatened by corruption for historical reasons, and corruption in many countries (we have seen it for Brazil, for example, but Brazil is not alone) is perceived as the biggest obstacle to the sound development of the country, to its democratic structure and to a fair society.

As far as Chile is concerned, we have already anticipated that the issue is not felt as urgently as it is in Brazil and Argentina: for example, if we look at the Transparency Perception Index for the year 2017, the country ranked 26 out of 180, while Brazil ranked 89 and Argentina 85 out of 180 countries, with a score of 67 (the index goes from 0 to 100, and the higher the score, the lower the level of corruption). This result is very good if we consider that corruption is on the rise in the LAC region despite the good progress of the region in other indicators (we can appreciate how important this result is for Chile if we consider that France is ranking 23). Moreover, if we look at the index for 2017 for the whole LAC region, we can see that only Chile and Uruguay are marked as yellow, while all other countries are flagged as red, indicating that corruption is an emergency:

Graph 167: Corruption Index in the World 2018



(Source: Transparency International, 2018i)

Graph 168: Chile Corruption ranking 2017

(average score 34).

## CORRUPTION PERCEPTIONS INDEX 2017

Search

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
20	Japan	73	72	75	76	74	74	Asia Pacific
21	Estonia	71	70	70	69	68	64	Europe and Central Asia
21	United Arab Emirates	71	66	70	70	69	68	Middle East and North Africa
23	France	70	69	70	69	71	71	Europe and Central Asia
23	Uruguay	70	71	74	73	73	72	Americas
25	Barbados	68	61	N/A	74	75	76	Americas
26	Bhutan	67	65	65	65	63	63	Asia Pacific
26	Chile	67	66	70	73	71	72	Americas
28	Bahamas	65	66	N/A	71	71	71	Americas
29	Portugal	63	62	64	63	62	63	Europe and Central Asia
29	Qatar	63	61	71	69	68	68	Middle East and North Africa

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(Source: Transparency International, 2018i)

If we analyze corruption perception in the public sector in perspective for the years 1998, 2005 and 2015, we can see how the situation has changed. As a matter of fact, if we look back at data from Transparency International for 1998, we can see that Chile was faring even better, ranking 20 out of 85 countries (Transparency International, 2018i), faring better than Brazil, which was ranking 46, and Argentina, which ranked 61, and was close to countries such as Israel and the United States.

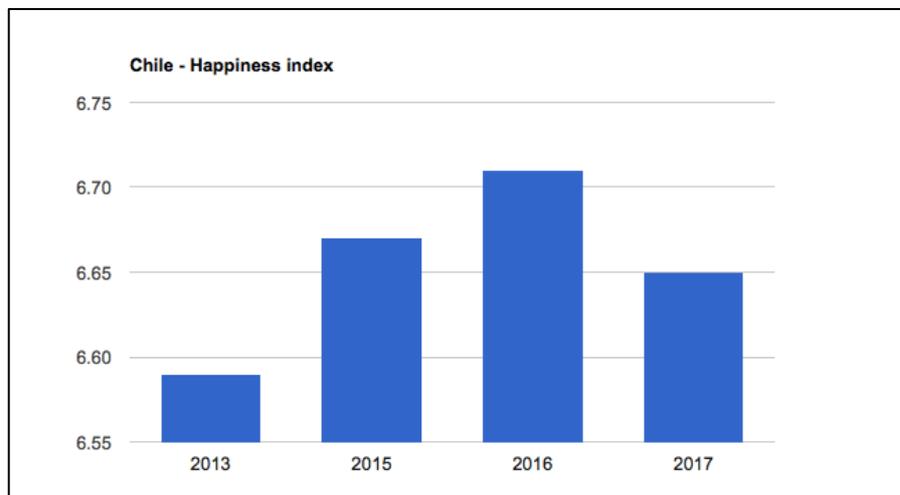
In 2005, the surveys by Transparency International (2018m) became more exhaustive, surveying a total of 159 countries: in this year, Chile was ranking 21, same level as Japan and had lost only one position in 7 years, while Brazil was ranking 62 and Argentina was ranking 97.

Finally, if we look at data from 2015, Transparency International (2015n) highlights that 10 years later, the country was ranking 23, with a 70/100 score.

While the scores for Chile are still very good, and different from Brazil and Argentina, we need to highlight that in about 20 years (from 1998 to 2017) there has been a loss of 6 positions, and this is particularly worrying if we consider the progress that the country has made both democratically and economically; moreover, Chile is inserted in a much more worrisome context of corruption, where corruption is endemic and this constant worsening of its records might actually provide quite dangerous for the future of the country.

In line with the research carried out for Brazil and Argentina, we can use other multidimensional indexes of development and well-being to see how the country is faring. we can look at the recently created Happiness Index, commissioned by the United Nations Sustainable Development Solutions Network in 2011, and launched in 2012, to see how Chile is faring in this respect. Here as well, due to the recent creation of the index, our retrospective analysis will only examine data from the first year (2013) and the last year of our research (2015): in 2013, Chile had a World Happiness Index of 6.58 (on a scale of 0 being unhappy and 10 happy), while in 2015, it had a score of 6.67 (Countryeconomy, 2018b). The graph below summarizes data from 2013 up to 2017 (even though the time span of research stops at 2015) as it is interesting to see how such a new index is evolving:

Graph 169:Chile Happiness Index 2013-2017



(Source: The Global Economy, 2018b)

Finally, we can look at the OECD multidimensional indicator that measures well-being in the country, the Better Life Index, which compares this multidimensional indicator with the average of the OECD country. While analysis was not possible for Argentina, as no index had been elaborated, we can see that Chileans are quite satisfied with their lives, as much as the average of the OECD countries: Chile scores 6.7 against the OECD average of 6.5 (OECD, 2018).

To conclude this brief section on corruption and other indicators, we can see that Chile, once again, is faring much better than Argentina and Brazil: corruption in Chile is not as widespread as it is in Argentina and Brazil, and the country is the only one along with Uruguay in the LAC region not to exhibit red-alert levels of corruption. However, rise in corruption in the time span analysed has been constant and needs to be addressed before it becomes too late, also due to the geographical position of Chile, and the possibility that corruption expands easily, taking advantage of illegal networks already existing in the LAC region. Life in Chile is rated as good and

satisfactory, slightly above the average of the OECD countries. These results are very encouraging if we bear in mind the difficulties that the country endured, its difficulties in reconciling with a violent past, and the overbearing presence of ex-dictator Augusto Pinochet until a decade ago.

## 8.6 Quality of Democracy in Chile (1990-2015)

Following the line of research used for both Brazil and Argentina, I will now look at the quality of democracy according to the dimensions and subdimensions chosen by Morlino (2011): *rule of law, electoral accountability, inter-institutional accountability, political participation, political competition, freedom, solidarity/equality, and responsiveness* (each dimension with its subdimensions). For Chile as well, I will conduct my analysis by using the five most relevant dimensions, and I will exclude equality and solidarity as those are part of our independent variable, and responsiveness and inter-institutional accountability as these two dimensions are less relevant to our research.

If we look at Morlino's analysis (2016) on the quality of democracy in Chile, we can see that Chile is considered as one of the high quality democracy, faring extremely well, and ranking second in the table by Morlino (2016) that we have used in the previous chapter, second only to Uruguay, with a total score of 3.85 (Brazil scored 3.68 and Argentina 3.62):

Table 170: Quality of democracy in Latin America 2009-2012

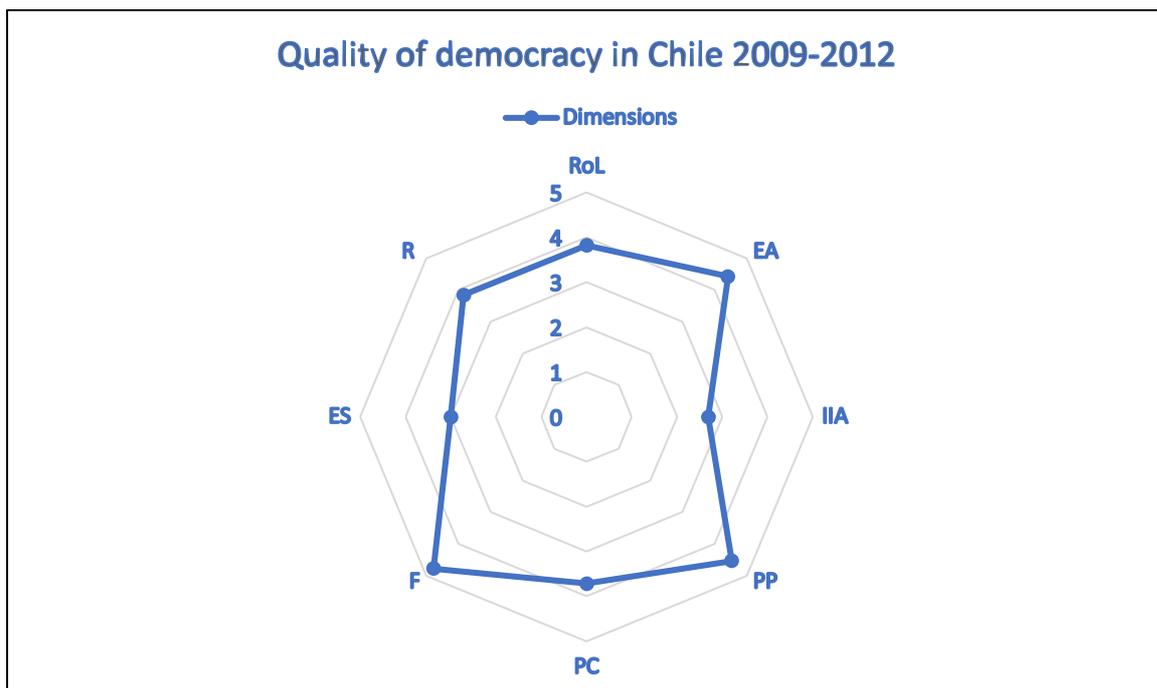
Country	Rule of law	Electoral accountability	Inter-institutional accountability	Political participation	Political competition	Freedom	Solidarity and equality	Responsiveness	Total
Uruguay	3.44	3.74	3.74	4.75*	4.07	4.78	2.65	3.84	3.88
Chile	3.82	4.42	2.69	4.54*	3.71	4.78	3.00	3.84	3.85
Costa Rica	3.63	4.04	2.82	4.07*	4.39*	4.33	3.37	3.50	3.77
Brazil	2.50	4.86	3.40	4.23	4.28	4.17	2.85	3.16	3.68
Argentina	2.27	3.75	4.34	4.17	3.93*	4.17	3.09	3.26	3.62
Peru	2.46	3.07	3.57	4.12	3.89	3.50	2.55	3.03	3.27
El Salvador	2.19	3.77	3.45	3.53*	3.67*	3.98*	2.44	2.98	3.25
Paraguay	1.81	3.70	3.39	3.58	3.54	3.58	2.31	3.23*	3.14
Mexico	2.37	3.47	3.25	3.44	3.68	3.11	2.99	2.78	3.14
Bolivia	2.16	3.50	3.38	4.08	2.70	3.48	2.33	2.97	3.08
Guatemala	2.37	3.86	2.27	3.30*	3.92	3.37*	2.13	2.94	3.02
Colombia	1.77	3.10*	3.33	2.66	3.54*	3.22	2.31	3.07	2.88
Ecuador	1.74	2.38	1.96	3.74	3.42	3.22	2.50	3.49	2.81
Nicaragua	1.70	1.15	3.49	3.07	2.92	2.21	2.41	2.86	2.48
Venezuela	0.92	1.85	2.67	2.91	2.74	2.00	3.10	3.19	2.42

(Source: Morlino, 2016)

As the table shows, referring to figures for the time span 2009-2012, Chile ranks second in terms of quality of democracy, while Brazil ranked 4 and Argentina 5, with a total of 3.85 out of 5. In particular, Chile fares pretty well in almost all dimensions, with electoral-accountability, political participation, and freedom reaching very high figures, well above 4, while Chile gets very low results in inter-institutional accountability, with is the only dimension below 3 (2.69), and in solidarity and equality, which gets a mere 3.00, proving that inequality is Chile's Achille's heel, just as it is for Brazil and Argentina. Yet, these somewhat poor results do not affect the high quality of democracy in Chile, which ranks 2 out of the 15 countries

analyzed by Morlino (2016). Graphically, Chile's quality of democracy can be pictured more easily below:

Graph 171: Quality of democracy in Chile 2009-2012



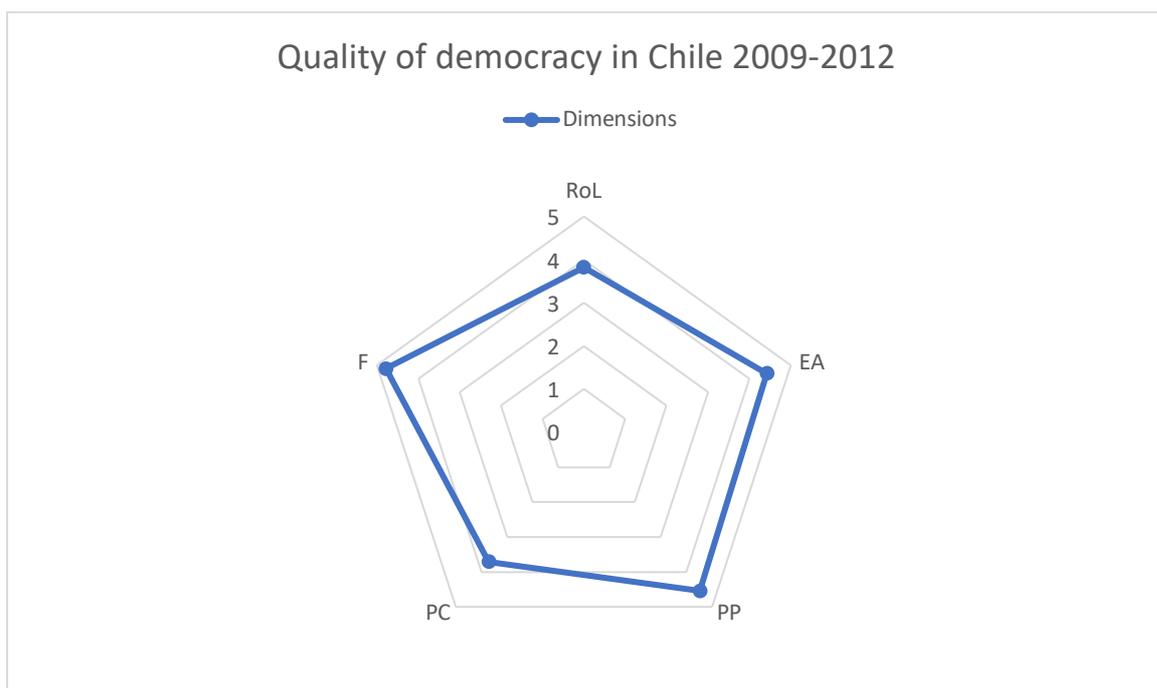
(Source: Data from Morlino, 2016)

As the research conducted by Morlino (2016) has shown, this thorough analysis proves why Chile is considered as a very high quality democracy, which is very remarkable due to its recent difficult past and the efforts made to reconcile a very polarized society. In particular, the research conducted on Argentina and Brazil in the previous chapters, had shown very low levels of the dimension rule of law (in both cases, below 3), while Chile shows high levels in this dimension while at the same time faring lower than Argentina in the dimension of equality and solidarity,

which might prove the initial assumption that low levels in the dimension rule of law lead to low results in the dimension of equality and solidarity.

If we follow what we have done for Brazil and Argentina, and take out the three dimensions of solidarity and equality, as inequality is our independent variable, and also inter-institutional accountability and responsiveness, as these dimensions are less relevant to our research and less impacted by inequality, we can see that we get the following graph:

Graph 172: Quality of democracy in Chile 2009-2012



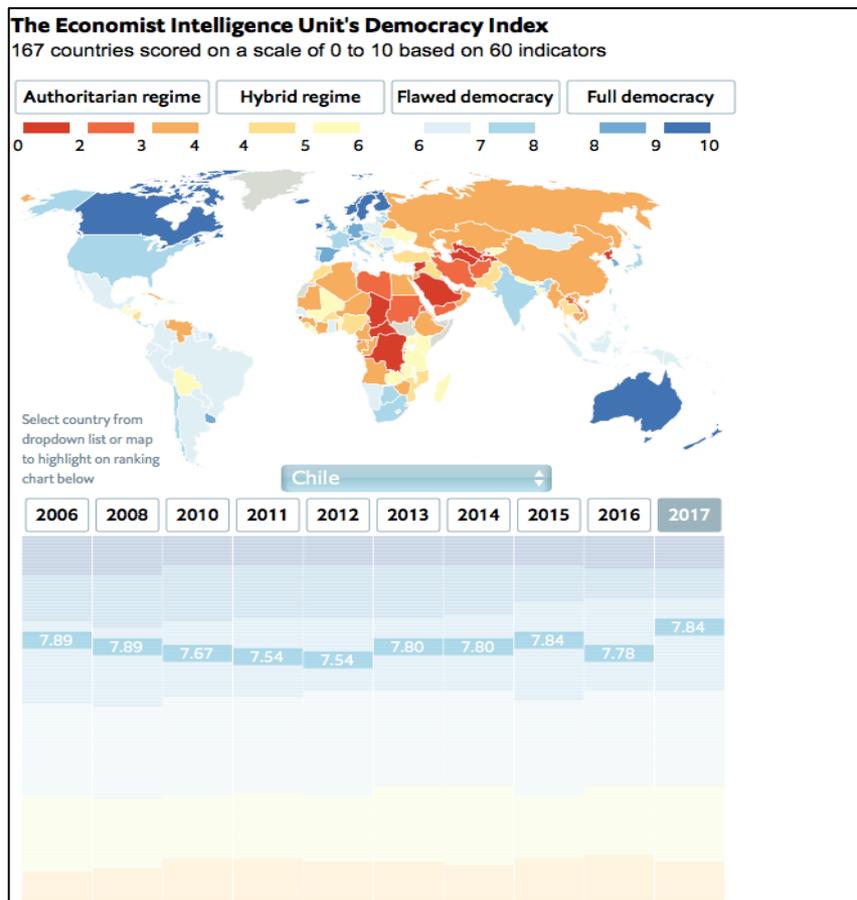
(Source: Data from Morlino, 2016)

From this graph, we can see that Chile fares really well in all the dimensions, with all these five dimensions very close or above 4; If we aggregate the 5 dimensions selected, just as we did for Brazil and Argentina, we can see that for

2013, Chile gets an average score of 4.25, while Argentina got 3.65, and Brazil 4. This result is consistent with Morlino's 3.82 (comprising all 8 dimensions) as we have taken away the dimension of solidarity and equality, responsiveness and interinstitutional accountability, where Chile was not faring extremely well (except for responsiveness, which was instead close to 4).

After having analyzed the quality of democracy in Chile according to the research carried out by Morlino (2016), we can refer at other indicators of democracy, like we did for Brazil and Argentina, and analyze the democracy index developed by the Economist Intelligence Unit, to see how Chile fared over time:

Graph 173: Democracy Index in the world



(Source: The Economist Intelligence Unit, 2018c)

As we can see from the graph below, Chile, like Brazil and Argentina, is considered as a flawed democracy, yet, unlike the other two countries, it does record very impressive results, with a consistent score close to 8, which would make it a full democracy, and little loss over 11 years of analysis (2006-2017). This is consistent with what emerges from Morlino (2016), where Chile appears as a very high quality democracy, and ranks 2 out of 15 countries analyzed, and has very good scores in all the dimensions analyzed. What appears even more encouraging, is that Chile was able to withstand the great global economic crisis, which is usually associated with a deterioration of all the democratic indicators (as it happened for Argentina in 2002, and as it was the case for Brazil around 2013-2015). Chile's scores, according to the Democracy Index by the Economist Intelligence Unit are remarkable and prove the good path that the country has managed to maintain, despite a very difficult past and the difficulties it incurred in reconciling its polarized society.

To conclude, as this brief introductory section on the work carried out by Morlino (2011 and 2016) has tried to show, Chile is rightly considered among the highest rating democracies in Latin America, faring extremely well in almost of the dimensions considered (with a less remarkable result in the equality and solidarity dimension).

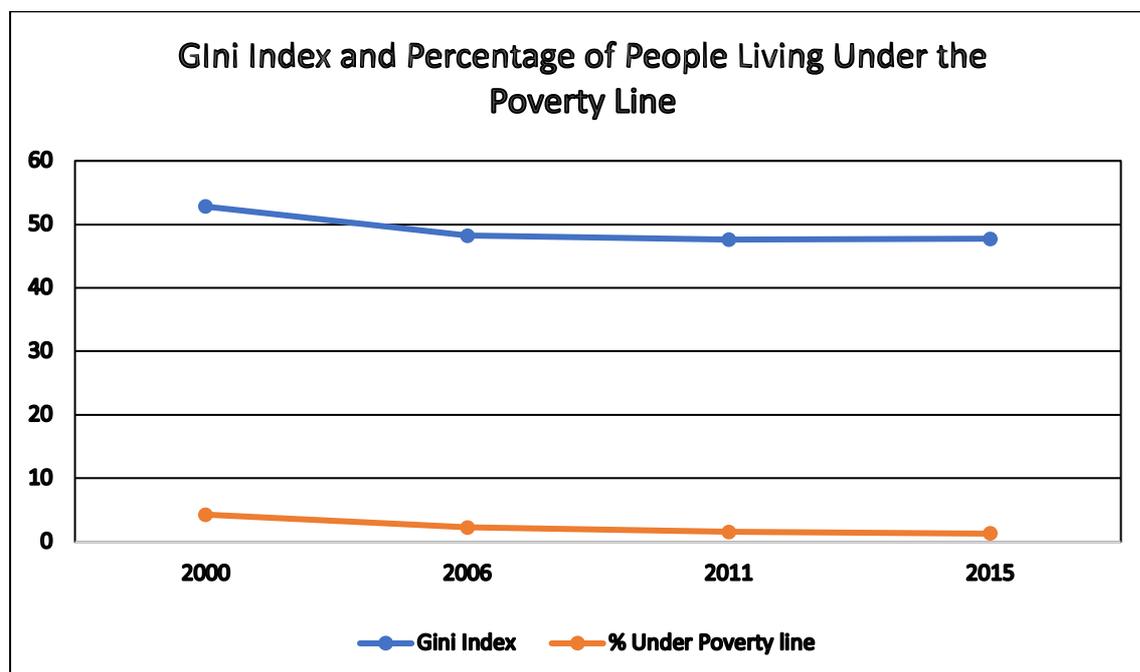
The country was able to maintain very good results over the course of the last 10 years of our analysis, which is very impressive if we take into account where the country was in terms of democracy in 1990, coming out of one of the worst dictatorships in the world, and having to bear the shadow of ex-dictator Augusto Pinochet for 10 more years, whose overwhelming influence was left in every political aspect of the country. In the next section, I will see if these progress is reflected over time accordingly, in a perspective analysis of the 25 years taken into account.

## **8.7 Poverty, inequality and Quality of Democracy: Data analysis**

After presenting the important research conducted by Morlino (2016) on the quality of democracy in 15 countries in Latin America, we can now look at the situation of Chile with regards to both inequality and quality of democracy. As the original assumption is that there should be a correlation between inequality and the quality of democracy, with a negative correlation, meaning that a high quality of democracy should be accompanied by a low level of inequality, we can see if such assumption is true. As a matter of fact, while the quality of democracy has been deteriorating over the 25 years taken into account in both Brazil and Argentina, which corresponds to a higher level of inequality, the quality of democracy in Chile has significantly increased over our 25 years of analysis. Moreover, even corruption, which is the Achille's heel of the region, has been kept at very low levels, levels that are more similar to a developed country in Europe than a country in Latin America. We can therefore initiate our analysis, assuming that we should find a low level of inequality.

In line with the research we have carried out for Brazil and Argentina, the first graph we can look at, has to do with both income inequality, measured with the Gini, and poverty, to see how both income inequality and poverty have evolved in the time span taken into account, as detailed by the following graph:

Graph 174: Gini Index and Percentage of People living under the poverty line

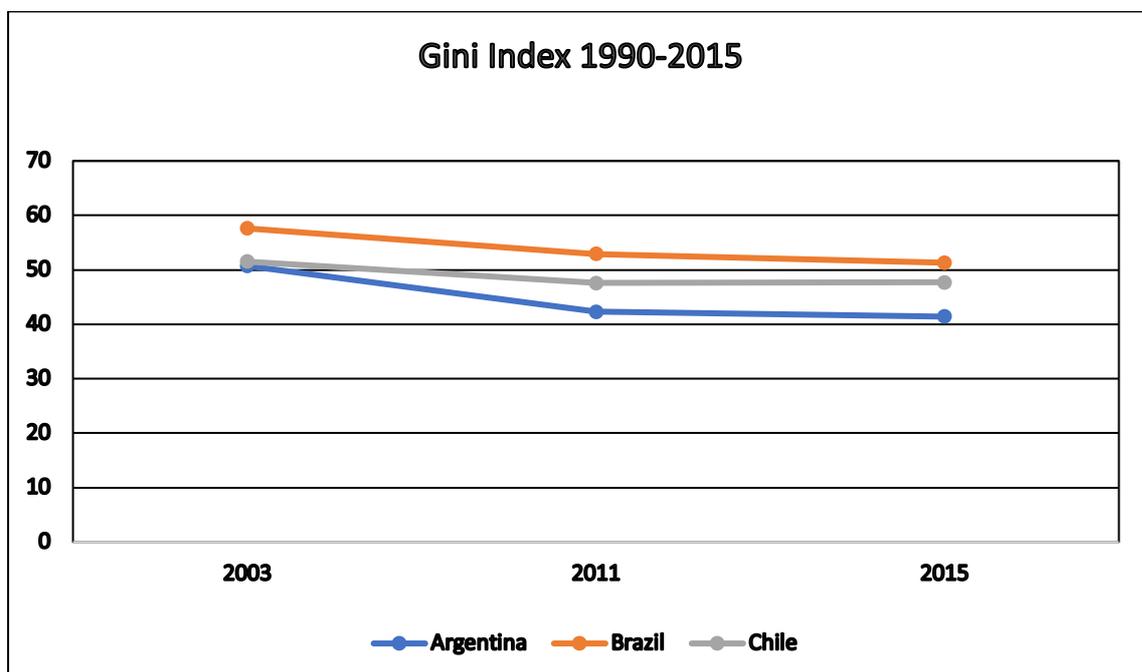


(Source: Data from World Bank, 2018b)

What we can see from this first graph, is that inequality seems to be very high, at about 50% throughout the years, while on the contrary, poverty lines for Chile are very low, reaching 1.3% of the population in 2015, which is a very good results (in the same year, Brazil's percentage of the population living under the poverty line of USD 1.90 was 3.4 while Argentina's was 0.6) (World Bank Data, 2018b). Therefore, Chile is indeed faring pretty well in its fight against poverty, in a region which was historically interested by poverty and hunger, as we have seen in the previous chapters. The poverty line of Chile is quite similar to the one we have seen for Argentina, a country which was historically very strong and provided universal education and public healthcare, which are two of the most important elements in the fight against poverty. In this respect, Brazil is left behind, with a higher level of poverty (although we have to remember the outstanding progress that Brazil made in

the 25 years taken into account). However, despite this very good results in terms of percentage of people living under the poverty line, the level of income inequality in Chile is very high, with figures higher than Argentina, and somewhat lower than Brazil, but much closer to Brazil's figures, as we can see from the below graph:

Graph 175: Gini index 1990-2015

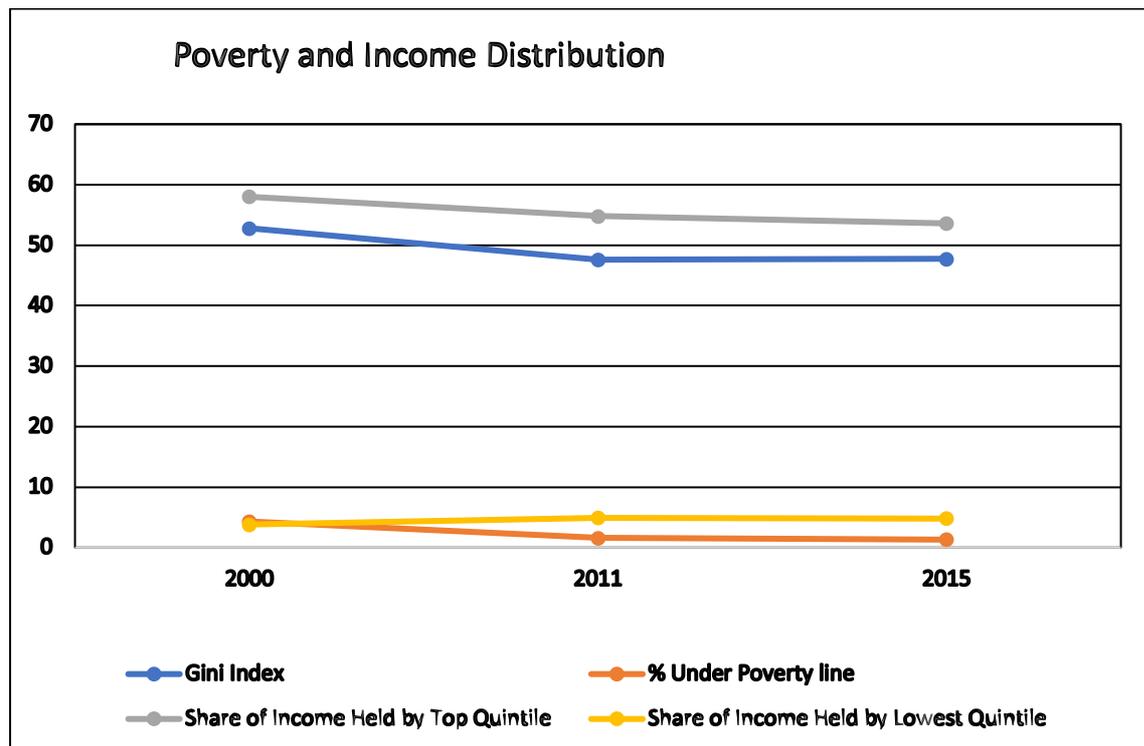


As this graph shows, at the turn of the millennium, Chile and Argentina started with a very similar level of inequality, while Brazil's level of inequality was much higher, but by the end of the time span we have taken into account, Chile's inequality was much closer to Brazil's than Argentina's (as no data from the World Bank was available for Argentina in 2015, I have used the 2014 figure). Although we should consider the data manipulation that took place in Argentina until 2013, we should try and understand why inequality has decreased only slightly in Chile, what has failed

in a country with very low levels of poverty. Moreover, we can recall that Chile is showing levels of inequality consistently higher than the United States, which is considered one of the most unequal countries in the world.

The next graph provides more information on the distribution of income:

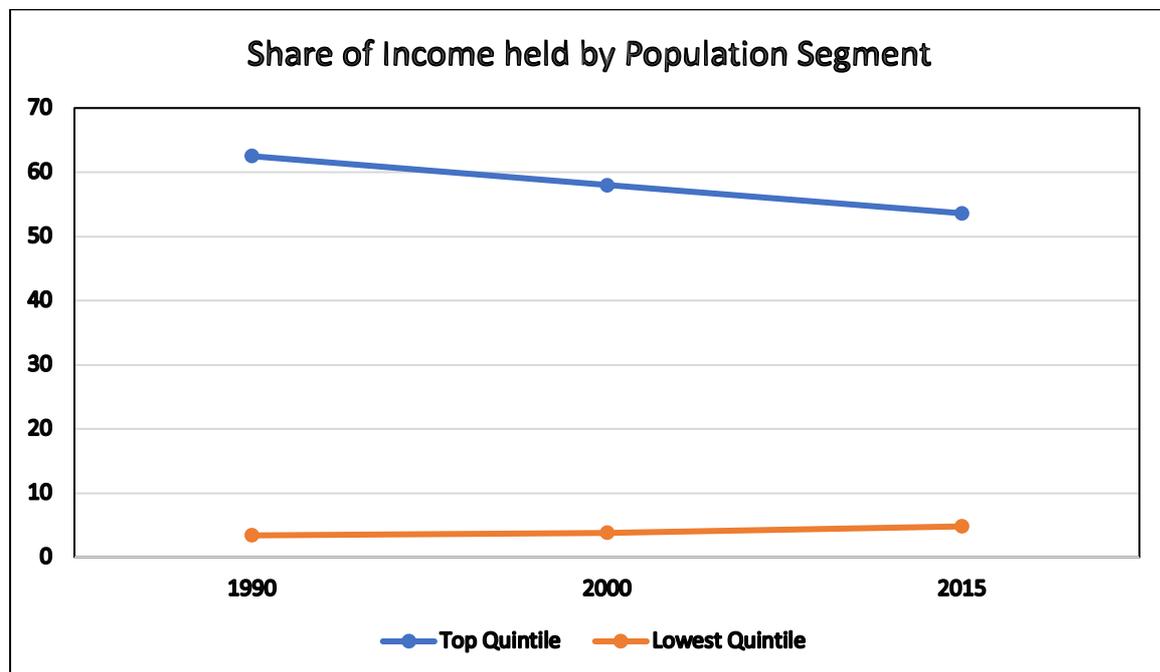
Graph 176: Poverty and income distribution Chile 2000-2015



(Data source: World Bank, 2018b and Index Mundi, 2018)

If we look at this graph on income distribution, calculated on the top and lowest quintile, in 15 years there has not been a consistent decrease in the Gini index, and the lowest quintile has grown modestly, while the share of income held by the top 20% has decreased slightly, basically staying the same, which really shows why the Gini index has stayed almost the same in the 15 years taken into account.

Graph 177: Chile Share of income held by population segment



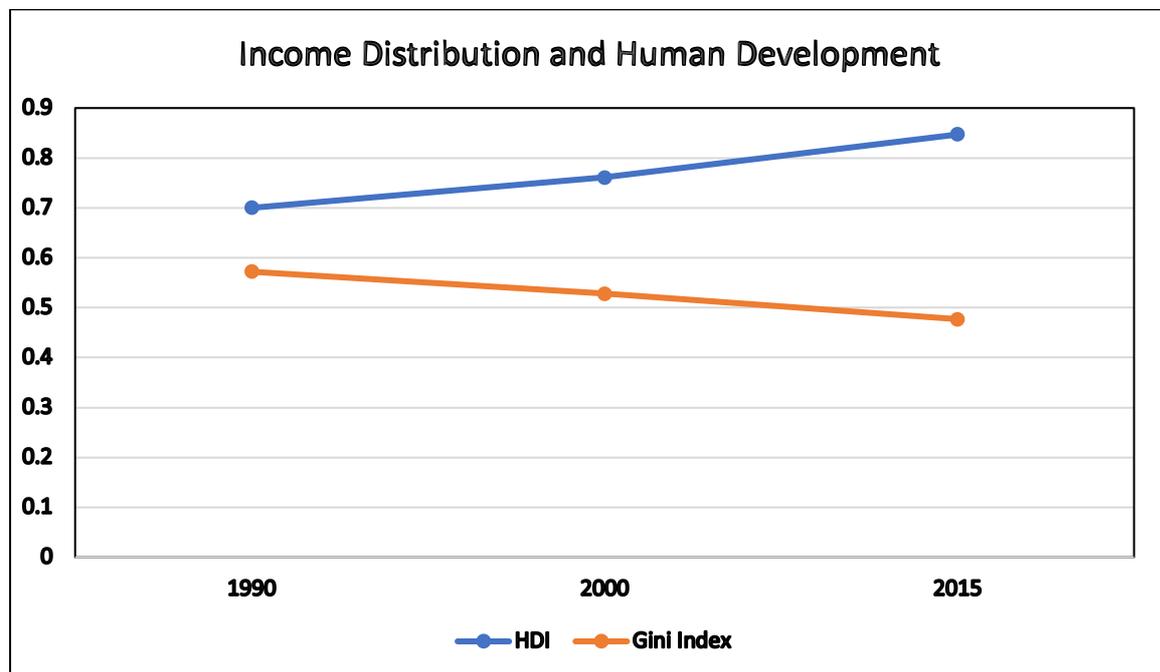
(Source: Indexmundi, 2018)

As the graph above shows, there has been little increase in the share held by the lowest quintile in the 25 years taken into account, while the top quintile has lost over 9% in 25 years, but this erosion has not reflected in an increase by the lowest 20%, which has only grown by 1.5% in 25 years, recording very little progress.

This is also consistent with what we have seen for Brazil and Argentina, where the top quintile or 10% have nevertheless kept very high levels of growth, while the bottom part of the population has remained very poor.

The next graph explores the relationship between human development and income distribution:

Graph 178: Chile Income Distribution and human development

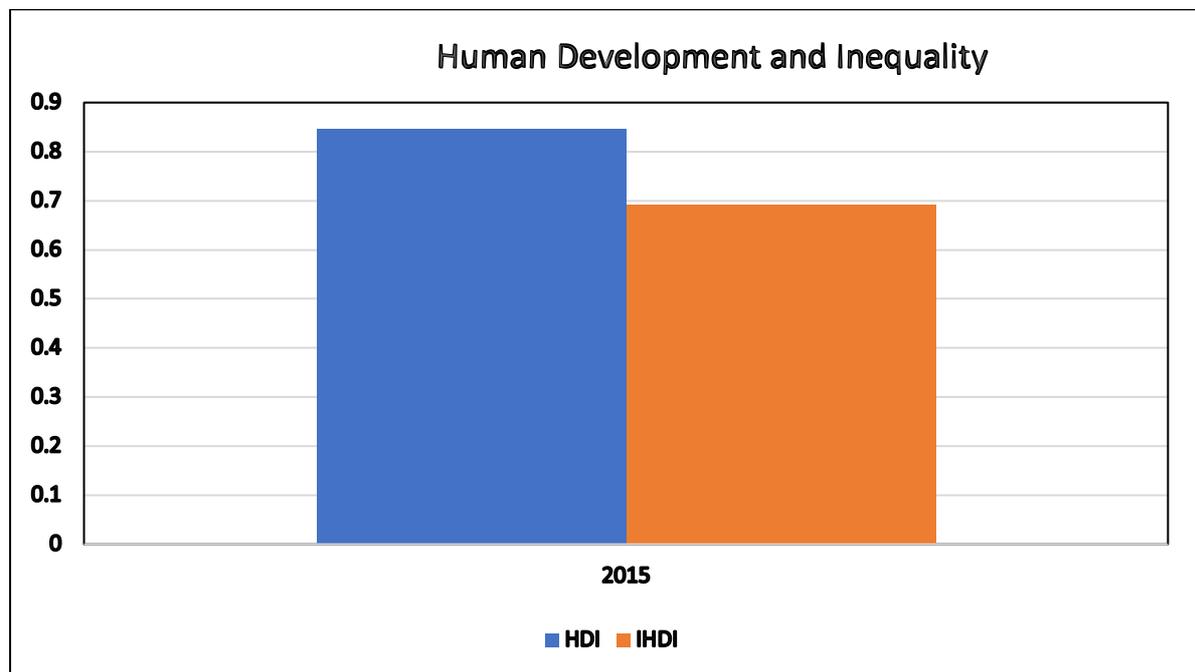


(Source: The World Bank, 2018 and UNDP, 2018b)

As we can see from the graph above, there is a positive correlation between increase in HDI and the decrease of Gini, with income inequality going steadily down from 1990 to 2015, from 57.2% to 47.7% in the 25 years taken into account, and an increase in HDI, from 0.70 to 0.84, a score that makes Chile the country with the highest HDI in Latin America, as already seen during Chapter 7, with an HDI even higher than Argentina's.

Just as we did for Brazil and Argentina, we can see the difference between the HDI and the Inequality Adjusted HDI, the HDI when discounted for all inequalities, social and economic, to see how much the country loses of its development due to inequality:

Graph 179: Chile Human Development and inequality 2015

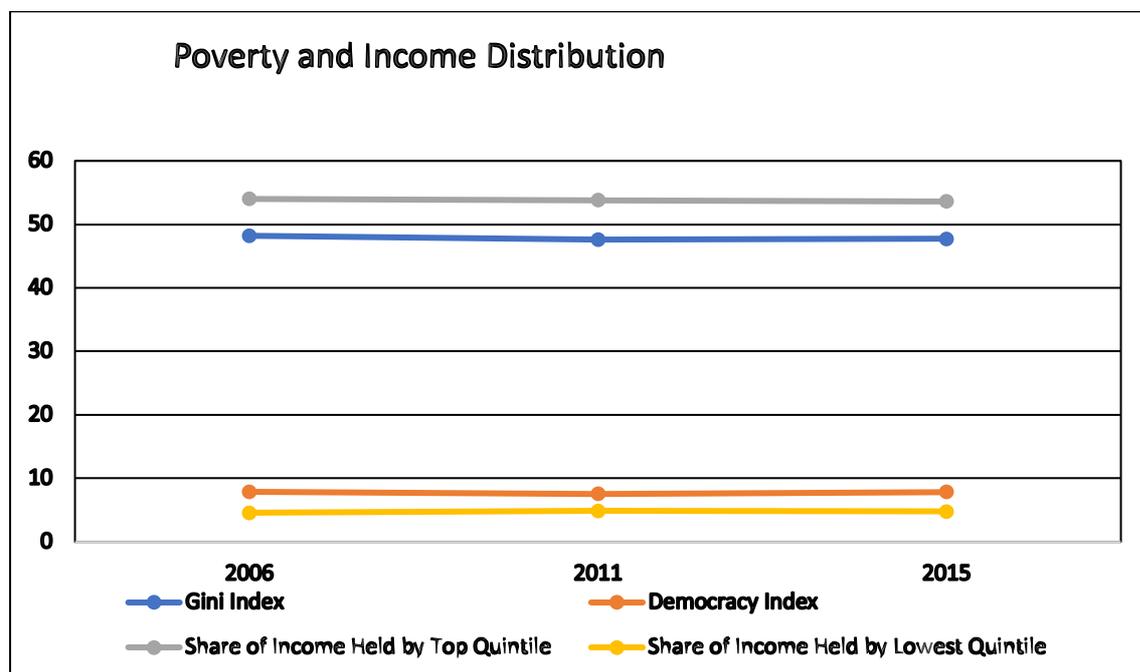


(Source: Data from UNDP, 2018b)

As we can see, if all inequality is taken into account, the country scores 0.692, lower than the HDI it had in 1990, bringing the country back to levels of development worse than in 1990. This pattern is consistent with what we have seen for both Argentina and Brazil, but the loss in HDI is more marked than it is for Argentina, as Chile starts with a higher HDI and registers the same IAHDl.

Finally, if we look at the changes of Gini index in relationship to the Democracy index used by the Economist Intelligence unit, and the share of income owned by the top quintile and the lowest quintile, we get the following graph:

Graph 180: Chile Poverty and Income Distrubution 2006-2015



(Source: Data from World Bank, 2018b and Economist Intelligence Unit, 2018c)

If we look at this graph, we can see that the last 10 years of our analysis, show little or no changes in all the indicators selected, showing that the greatest progress for Chile was achieved in the first decade of our 25 years, and little has changed from 2006: as a matter of fact, the democracy index stays almost the same, the share held by the lowest quintile increases slightly (from 4.8 to 4.9%) and the share held by the top 20% decreases slightly (from 54 to 53.8), while the Gini goes from 48% to 47.7%. Hence, the last 10 years of our research present a very stagnant situation, in which however, the country managed to maintain the good results it had reached up to that moment.

Due to this situation, which seem to have stagnated for the last 10 years, we can try and go deeper into the research using Morlino's concept of quality of democracy. As we have done for Brazil and Argentina, we can create the same

composite indicator using five of the eight dimensions identified by Morlino (2011 and 2016), the ones which were more relevant to our research, and using a set of subdimensions.

First of all, we can use the research by Morlino (2016), and consider the five dimensions of Rule of Law, Electoral Accountability, Competition, Freedom and Participation, we can see that in 2013 (the year for which data are available from Morlino, 2016), an average score of 4.25 in the five dimensions was correlated to a Gini of 47.3%, while the income of the top quintile was 53.70% and the income of the lowest quintile was 5.10%, a relationship of 10 to 1 (it was 9 to 1 for Argentina, the country more similar to Chile).

If we want to carry out the same analysis as we did for Brazil and Argentina for the years 1998, 2005 and 2015, we can look at the five dimensions of Rule of Law, Electoral Accountability, Political Participation, Competition, and Freedom, with the same subdimensions as we used for Brazil and Argentina:

Table 20: Quality of democracy dimensions

<u>Dimensions</u>	<u>Sub-dimensions</u>
Rule of Law	
	Absence from Corruption
	Political Stability and Absence from Violence and Terrorism
	Judicial Independence
Electoral Accountability	
	Clean and Fair Elections
	Free Political Parties
Participation	
	Civil Society Participation
	Electoral participation
	Direct democracy
Competition	
	Competition among actors (Number of seats to opposition/total seats)
	Alternation (yes=1 no=0)
Freedom	
	Civil Liberties
	Access to Justice
	Human Freedom Index (Only 2008-2015)

If we examine the rule of law dimensions, with its 3 sub-dimensions, we get a score as detailed:

Table 21: Chile Rule of law

RULE OF LAW				
	Absence of Corruption	Political Stability and Absence from Violence and Terrorism	Judicial Independence	Total
1998	0.74	0.0	0.76	1.50/4.25
2005	0.75	0.8	0.78	2.33/4.25
2015	0.64	0.4	0.77	1.81/4.25

(Source: Data from Idea International, 2018 and The World Bank, 2018b)

Absence of corruption is calculated from 0 being the worst score and 1 the best, Political stability and absence from violence and terrorism measures the likelihood of being subject to political instability of political violence and terrorism, with a range from -2.25 to 2.25, with -2.25 being the weakest and 2.25 the strongest, while judicial independence measures to what extent are the courts independent, with 0 being the lowest and 1 being the highest score possible. The highest result possible is 4.25.

Table 22: Chile Electoral accountability

ELECTORAL ACCOUNTABILITY			
	Clean fair elections	Free political parties	Total
1998	0.90	0.67	1.57/2
2005	0.93	0.71	1.64/2
2015	0.91	0.68	1.59/2

(Source: Data from Idea International, 2018)

If we look at the dimension of Electoral accountability, the maximum score for this dimension is 2, clean and fair elections responds to the question to what extent are elections free from irregularities, and free political parties responds to the question to what extent are political parties free to form and campaign for office; in both cases, the range is 0 to 1, with 1 being the best possible score.

Table 23:Chile political participation

POLITICAL PARTICIPATION				
	Civil Society Participation	Electoral Participation	Direct Democracy	Total
1998	0.66	0.73	0.02	1.41/3
2005	0.67	0.64	0.02	1.33/3
2015	0.70	0.46	0.02	1.18/3

(Source: Data from Idea International, 2018)

The sub-dimension of political participation examines civil society participation, electoral participation and direct democracy, responding respectively to the questions to what extent do people participate in civil society organizations, and to what extent do people participate in national elections, to what extent are mechanisms of direct democracy available and used. Again, the range from 0 to 1 marks the lowest and best possible achievement.

Table 24: Chile Political competition

POLITICAL COMPETITION			
	Competition among actors (number of seats to opp/total seats)	Alternation (no=0 yes=1)	TOTAL
1998 (elections 1993)	67/158	1/1	1.42/1.50
2005 (elections 2005)	75/158	1/1	1.47/1.50
2015 (2013 elections)	64/158	1/1	1.40/1.50

(Source: Data from Idea International, 2018)

The dimension of political competition considers the number of seats assigned to the opposition over the total number of seats available, and whether

there has been political alteration, with a reasonable expectation that this dimension cannot exceed 1.50.

Table 25: Chile Freedom

FREEDOM				
	Civil liberties	Access to Justice	Human Freedom Index	Total
1998	0.84	0.73	N/A	1.57/2
2005	0.89	0.75	N/A	1.64/2
2015	0.88	0.66	8.00	9.54/12

(Source: Data from Idea International, 2018 and Cato Institute, 2018)

In line with what has been done for Brazil and Argentina, the last dimension, the one of freedom is composed by civil liberties and access to justice, and for the year 2015, it also considers the Human Freedom Index, which was introduced in 2015 and has been calculated for the time span 2008-2015, which considers personal, civil and economic freedom. It ranges from 0 to 10, with 10 being the best possible score (Cato Institute, 2018). The civil liberties sub-dimension responds to the question to what extent are civil liberties respected (with indicators such as freedom of expression, freedom of association and assembly, freedom of religion, freedom of movement, and personal integrity and security), while access to justice responds to the question, to what extent is there equal, free access to justice (Idea

International, 2018). Scores for both civil liberties and access to justice range from 0 to 1, with 0 being the worst and 1 being the best.

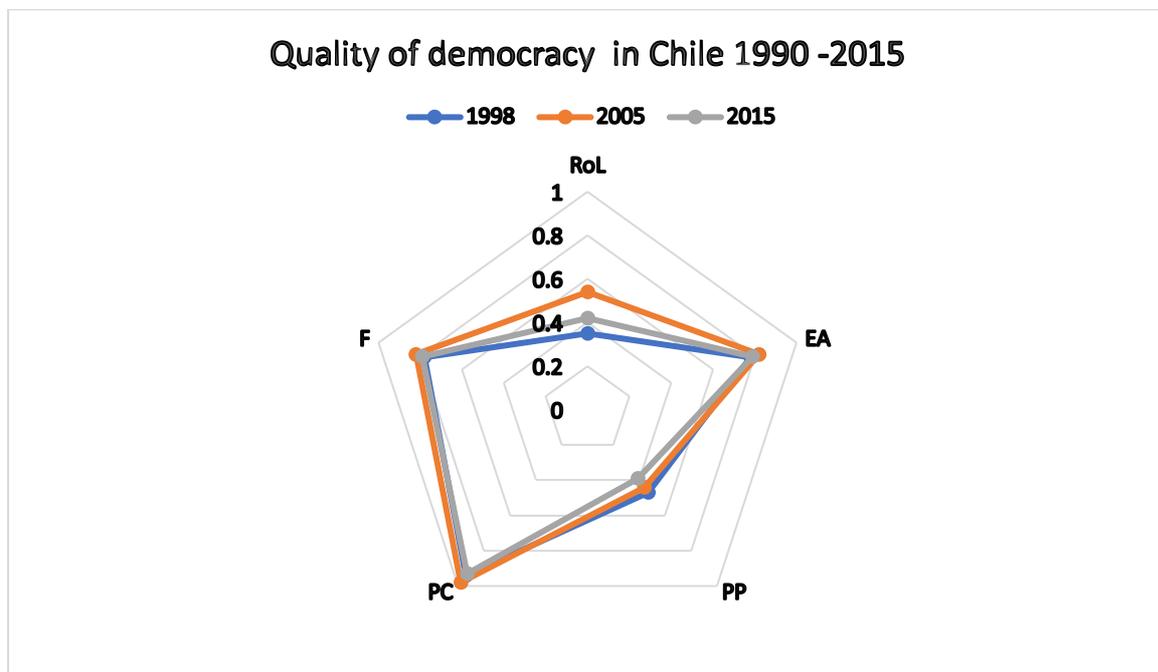
If we aggregate all the different results, we get a quality of democracy index as follows:

Table 26: Chile Quality of democracy index

QUALITY OF DEMOCRACY						
	RoL	EA	PP	PC	FREEDOM	AVERAGE SCORE
1998	1.50/4.25	1.57/2	1.41/3	1.42/1.5	1.57/2	0.66
2005	2.33/4.25	1.64/2	1.33/3	1.47/1.5	1.64/2	0.72
2015	1.81/4.25	1.59/2	1.18/3	1.40/1.5	9.54/12	0.66

If we move this data that we have obtained by standardizing the various dimensions into a graphic radar, we can see the following graph:

Graph 181: Chile quality of democracy 1990-2015



As we can see from the above calculation, results are partially consistent with what we had seen in Brazil and Argentina, with an improvement from 1998 to 2005, and a slight deterioration of democracy in the last 10 years. This goes against what we have seen with the Democracy Index, in which results instead seemed to be consistent in the last 10 years of our analysis.

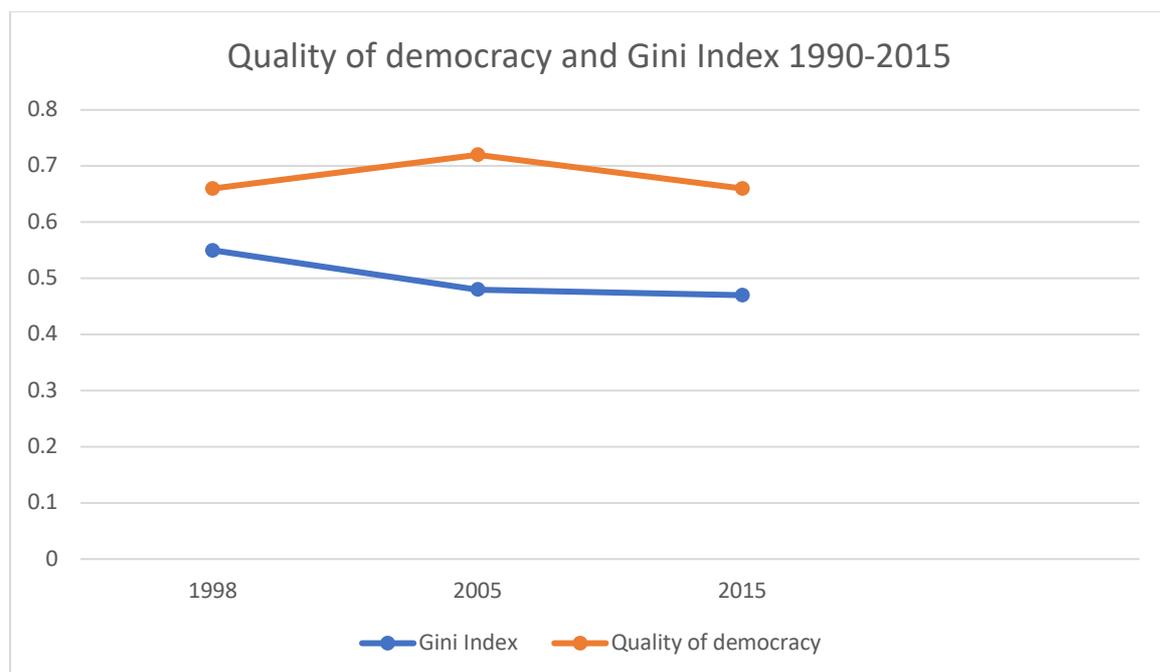
If we examine, just as we did for Brazil and Argentina, also the newly created Freedom Index from the Cato Institute, we can see that unlike Argentina and Brazil, Chile has managed to maintain extremely good results in terms of human freedom, while scoring lower in our composite indicator: as a matter of fact, Chile not only has managed to achieve a very good score of 8 out of 10, but the country has also managed to keep it constant since 2008, in almost a decade that has proved incredibly difficult not only for Argentina, Brazil and the whole LAC region, but also at

global level, as those were years marked by one of the worst economic crisis since 1929.

Unlike what we have seen for Brazil and Argentina, where a decrease in the quality of democracy is consistent with the analysis carried out by the Economist Intelligence Unit, and the Freedom Index, Chile has been able to keep quite good results according to such indicators, nevertheless, the analysis carried out through our composite indicator suggests that, in line with what we have seen with Brazil and Argentina, after an increase in the quality of democracy from 1998 to 2005, the next decade from 2005 to 2015 has taken a toll in the quality of democracy in Chile, possibly a result of regional trends and overall global economic and social crisis.

We can now analyze the quality of democracy and the Gini for Chile, we can see a worsening of the democracy and an improvement of the Gini:

Graph 182: Chile quality of democracy and gini index 1990-2015



As we can see from this graph, apparently it is not possible to assume a correlation between inequality of income as measured by the Gini index, and the quality of democracy, because for Brazil, Argentina and Chile, we can see a reduction of the Gini while at the same time a worsening of the quality of democracy, at least according to the composite index created following the concept of quality of democracy as envisaged by Morlino (2011). However, the worsening of the quality of democracy is consistent with an unfair gap in income between the top and bottom segments of the society: as a matter of fact, we have seen that for the three countries, while the top segment has managed to keep a very good share of income (although the total share was slightly reduced over time, it is still very good) while the lowest segment has grown very little in 25 years (about 1-2% in 25 years), and there is still a difference of about 10 to 1 between the share of capital at the top and at the bottom segment of the society.

## **8.8 Conclusions**

As this chapter has tried to show, the quality of democracy in Chile has stalled in the time span taken into account. For Chile, just as we did for Brazil and Argentina, we see great progress until 2005, and then a substantial decrease in the last 10 years of our analysis. However, not all indicators point to the same results, as other sources such as Freedom House, the Economist Intelligence Unit, and the Human Freedom Index, describe a very resilient Chile, with strong results and strong records, able to withstand the pressure of the global financial crisis of 2007.

Moreover, just as we saw while researching Argentina and Brazil, the results on the link between inequality and democracy are not conclusive, and will be better explored in the last chapter, the one containing the conclusions. Without any doubt, further research is necessary to see whether there is a connection between inequality and the quality of democracy in the three countries.

After having analysed the three countries, their link between inequality and democracy, we can draw several conclusions, as well as outline need for further research and the policy implications that should be taken into account while applying the Sustainable Development Goals of the United Nations (2015-2030) and outlining the strategy to fight inequality at regional and global level. The conclusive chapter of this thesis, which follows, will try and address all these issues.



## PART V: CONCLUSIONS



## 9. CONCLUSIONS AND POLICY IMPLICATIONS



## **9.1 What kind of inequality, what kind of democracy?**

During the course of this PhD thesis, which has examined development, inequality and democracy in 3 countries of Latin America, Brazil, Argentina and Chile, which have shared a common past of dictatorship between the 1960s and 1980s, we have experienced mixed results that now need to be analyzed, in order to yield policy implications and show possible paths for new development and research. Before analyzing the data that emerged from the research and drawing possible implications for policy and for further research, it is important to highlight the difficulty in reaching conclusive results, as the problem with the definitions for both inequality and, to a lesser extent, for the concept of democracy have emerged (here, it has been possible to bypass this latter difficulty thanks to the important research carried out by Morlino in 2011 and 2016, whose definition of quality of democracy has been adopted).

As it has been shown in the first chapter, the concept of inequality is very hard to define, and as we have seen measurement depends on how we chose to define inequality. As we have seen again in the first chapter of the research, inequality, like poverty, is a very complex multidimensional concept that does not move only along the lines of income, but it entails other very complicated aspects such as nutrition, health, education, parents' background and income, housing, respect for diversity, race and religion. When one thinks about the complexity of these elements, it appears clear how daunting the task of defining inequality is. Up to a few years ago, basically before inequality exploded as an urgent issue, as we have seen during globalization first and then with the financial crisis of 2007-2008 later, inequality used to be considered mainly as inequality of income, the difference between the income of the richest segments of the society, and the income of the poorest segment.

Inequality was measured with the Gini index, created by Italian Statistician Corrado Gini in 1912, in a world which was very different from the world that we know today. Since then, the Gini index has been largely used to show inequality, and it has been the official measure for over a century for inequality. Monetary indexes are easy to use and to work with, and this is possibly the reason why such an obsolete measure has persisted for such a long time; they provide very direct and summarized research in just a number, and are usually the preferred way of measure for economists and statisticians, given the conciseness of the information. However, due to the issue of inequality becoming urgent, it appeared clear that the old Gini Index was no longer sufficient to measure such a complex and widespread issue. Therefore, in 2013, the World Bank developed a new indicator, the shared prosperity indicator, which tried to respond to the problem of inequality by monitoring how the lowest segment of the society, the so-called *bottom forty* was growing compared to the top 20%, top10% and even the top 1%. Such a new indicator, over time, has proved to be rather disappointing, as it has not revolutionized the concept of inequality, or has had any efficient result which has contributed to changing policies at global level or reaching a new concept of inequality. Thus far, the best possible definition that we have of inequality, is the one elaborated by the United Nations (see Chapter 1 for a complete discussion of the concept) which entails inequality of output and opportunities. Such a definition aims at being as complete as possible, as it tries to combine both income (which is included in output) and opportunities, such as differences in education, health, nutrition, that can impact the future of a person in many profound ways that go beyond mere income. Such a definition is by far the most complete that has been encountered over the course of the research, as it considers the multi-dimensionality of inequality, with other

important interconnected factors, such as poverty, for which we now have the global Multidimensional Poverty Index (MPI, 1 Chapter 1 for more information), and development, for which we have the Human Development Index (HDI, again refer to Chapter 1 for more information). Unfortunately, while the United Nations definition is the most complete as it entails different elements that determine inequality, it is still not a viable working definition, as indicators and measurements are still lagging behind. In this sense, the research carried out in this volume has greatly suffered from this, as it often times was constricted by old indicators, such as the Gini, which moreover were often missing (data constraint in Latin America is another serious setback when doing research), or a mere indicator analyzing income distribution and the difference between the top 10% or 20% and the lowest segments of the society. Unfortunately, during the research, it was often difficult to find data on opportunities, such as nutrition, health, education, income of grandparents and parents, to see if there could be a correlation. In this sense, there is an urgent need to update the literature and to update the tools that we have in order to respond to this complex, multidimensional issue. For the sake of the research, we have had to adopt the Gini index more often than desired, although aware of the great limitations that it entails (we have already cited Thomas Piketty's research on the limitations of the Gini and his theory of how inequality perpetuates itself despite a declining Gini Index). However, due to the serious limitations of sound measures that could reflect the complexity of inequality, we have had to resort to using the Gini. Other indicators of well-being that embrace a more multidimensional vision of development and well-being have been selected, such as the HDI and the Inequality Adjusted HDI, however, the research in this sense is far from complete, and the indicators that we

currently have are not exhaustive for the task of reflecting the complexity of inequality.

A similar discussion could be presented for democracy as well, but fortunately enough, since the problem of democracy is quite old, we do have a wealth of information that allowed to produce a very articulate definition of democracy such as the one elaborated by Morlino (2011) on the quality of democracy. But here as well, it is relevant to our research to explain that such a definition was the most complete one that we could take into account. But if we had taken into account the definition elaborated by Schumpeter in 1942, in which democracy exists if the people can vote, then we would not have been able to see any change in the results of our analysis during 25 years. Possibly, due to façade elections, we could not see any difference in the definition even during dictatorships. If we move to the definition inspired by Dahl in 1971, and made up of 4 elements (universal suffrage, free, competitive and current elections, more than one political party and different sources of information), we might have a better definition of democracy, but only one that considers the elective process and does not include other forms of checks and balances during the government. The definition elaborated by Morlino (2011) which examines the quality of democracy as a multidimensional factor, made up by 8 dimensions (each with its subdimensions) provides, without any doubt, a very complete picture of democracy. While such definition might require more effort to work with as it is more complete than the one inspired by Dahl, it does offer a more complete picture and working with such a concept we are able to pinpoint in which areas we should work to strengthen democracy, by producing policy implications, which should be the ultimate goal of research, the reason why we carry out analysis should be to produce policy implications that could improve the lives of the citizens.

To conclude, due to the fact that studies on democracy started a long time ago, we have been able to work with a wealth of information to produce a very good and complete definition of democracy, which might not be the only acceptable definition, but is a very good and complete definition. Unfortunately, for what concerns inequality, the research has often been constrained by the lack of a valuable indicator to measure the phenomenon; the choice, unfortunately, has been often forced on monetary indicators, such as the Gini or the difference in share of income between the top and the lowest segments of the society. I have also tried to include in the research other indicators such as the Human Development Index, in an attempt to move past this constraint to the research, and in view of a multidimensional vision of human life and of inequality. Yet, more effort is needed as more factors are behind inequality and could express it better than mere income. This is particularly relevant in Brazil, Argentina and Chile, which have made tremendous progress on their democratic path, but still experience very high inequality, and despite the reduction of Gini in the 25 years taken into account, we have seen that such reduction was more due to the a modest loss of wealth in the top 10% and 20% of the population, rather than an actual growth and improvement of the bottom 10%. The Gini for the 3 countries, after 25 years working with one of the most successful development Agenda ever produced, and taking advantage of the favorable economic conjuncture, is still very high, well higher than the one for the USA, which is considered one of the most unequal countries in the world. Such lack of progress in reducing inequality, might have been due also to a lack of an efficient definition and effective indicators for measurement. If we don't know the real extent of the problem, we might not be able to produce effective policy recommendations and tools for development. It seems that the challenge for the next Development

Agenda (with its Sustainable Development Goals, from 2015 to 2030) will be to understand the nature and extent of the problem, develop new measurements and be able to produce effective, sound policy recommendations that can benefit the lives of the ones affected, which include, as we have seen, not only the poorest segments, but also the middle class, which has been impacted heavily by inequality.

## **9.2 Higher development does not always results in lower inequality**

Another element that emerged from the research we have conducted is that the MDG Agenda was one of the most successful and articulated effort by the International Community, to achieve better development for all developing countries, reduce the gap between the developed world and the least developed countries, and defeat the scourge of poverty and hunger. Globalization in this sense has played a very significant role, as it has allowed to attain a smaller vision of the world and has made it easier to think that there should be some minimum standards of well-being that everyone should abide by. While the MDG agenda did not tackle inequality explicitly, expect for gender equality which has always been at the core of every development program, we can affirm that its 8 Goals once fulfilled, result in better equality both within country and between the developed and the less developed countries. Therefore, a thorough analysis of the MDGs (at least of the MDGs which proved to be more relevant to the inequality equation) was deemed useful to see how successful the MDG Agenda had been in the 25 years of our analysis. As it has already been explained, not only was it particularly relevant to our analysis as it mirrored the beginning of the democratic path of these three countries, which had experienced unprecedented suffering due to some of the most violent dictatorships in the world, but such analysis could also provide tangible, effective data in a context of data shortage and manipulation (as it was the case for Cristina Kirchner's Argentina).

As we have seen in terms of the MDGs, all the three countries were extremely successful and managed to reach all the MDGs we examined except for the reduction of maternal mortality by 2/3 (nevertheless, impressive progress was registered in this indicator as well). Yet, we have to bear in mind that the results are

rather different as the countries started in very different ways. For example, we have to bear in mind the conditions which our first and most populous country, Brazil, started with: as we have seen, in the 1980s, Brazil was usually known by economists as *Belindia* (an island of Belgian wealth in a sea of Indian poverty) and the country was in very severe distress and experienced severe poverty. A symbol of Brazil's poverty and lack of basic elements such as food, drinking water, sanitation and education was embodied by favelas (slums) in which the poorest were forced to live, unable to enjoy decent levels of living. Along with the extreme poverty, there were also other typical elements of a developing country: very high fertility, high levels of infant and child mortality, shorter life expectancy; moreover, what made things even more difficult, was the volume of population, as Brazil was the most populous country of Latin America (and it is still nowadays). Against this background, it is easy to understand the importance of the Brazilian progress, as it managed to overcome a very difficult situation, halve the percentage of people living under the poverty line, halve the number of people suffering from hunger, improve education and attain universal primary education for both boys and girls, improve its economic markers. What is even more astonishing, is that by 2005, Brazil's progress had been so pronounced that the country was forecasted to become the fifth economy by 2050 (unfortunately, the turn of events has changed and by 2016 Brazil had relapsed into one of the worst economic crisis). As we have seen, the attainment of such good results was also accompanied by some of the most famous social programs (Cash Conditional Transfers) such as *Bolsa Familia* and *Brasil sem miseria*, which turned the country into one of the most studied examples of successful strategies against poverty and hunger. The profound effort made by the country, notably under Lula's government, had a deep impact on inequality as well, as a matter of fact, such

impact was not translated only in a reduced Gini index, but also in a more democratic society, with better standards of living, a better nourished population, a more educated population.

If we compare the progress that Brazil made in the 25 years of our research with Argentina and Chile, we have to allow for some considerations. First of all, Argentina and Chile experienced more ferocious dictatorships than Brazil, thus their democratic path might have proved more difficult. Both countries now have the highest life expectancy in Latin America and the highest Human Development Index. Argentina's success was mainly due to its historical role and its strong ties with Europe, its universal healthcare and education, which have proved valid elements to battle poverty and inequality. Chile has not enjoyed such an important past, but it has managed to achieve impressive results, also having to battle some geographical constraints which have made Chile's path to development sometimes complicated. Yet, Chile has also been the country with the smallest population and the highest life expectancy, which could be an advantage in the short term, as it is easier to manage a smaller country, but in the long term this impacts GDP and other important indicators.

As we have seen, all three countries were highly successful in implementing the Millennium Development Agenda and achieved paramount results, such as poverty and hunger reduction, better employment and income, better participation of women in the political and social life of the country. However, such impressive results have not often resulted in lower levels of inequality: as a matter of fact, while the Gini (with all the limitations that we have cited in the previous section) has decreased, it still is incredibly high compared to other countries (we can just bear in mind that the Gini for the three countries is higher than for the United States, which

is considered one of the most unequal societies in the world). Moreover, if we accept a wider definition of inequality as a combination of lack of opportunity and outcomes, we can argue that inequality is increasing in the three countries, as Oxfam International, the United Nations, the OECD and other international organizations as well as scholars such as Milanovic, Stiglitz and Piketty have told us thus far. Therefore, better records and a more developed society unfortunately do not always result in low levels of inequality. What has emerged from a thorough analysis of the progress against the MDG Agenda in the time span 1990-2015 is that poverty, hunger and inequality have moved on separate ways, with the latter increasing and broadening its scope, also taking advantage of the perks offered by globalization. A more developed society unfortunately has not matched a more equal society, and issues have become more global and more complex. If we look at our instances, we see that the Gini has decreased over time, but if we look at the share of income, we see that it has decreased not because the lowest segment of the society has improved significantly, but because the richest segments have grown less. This is true in all our three countries. This is the most tangible example of the failure of the so-called *trickle-down economy*, highly promoted during the 1980s by the Financial Organizations such as the World Bank and the IMF. While these organizations have promoted several successful pro-growth strategies, distribution policies have been significantly neglected, possibly due to the faith in markets that pervaded the Reagan/Thatcher era. Unfortunately, the results have not been as positive as hoped, growth has not trickled down as expected, but it has benefitted the top segments of the society.

### **9.3 A reflection about time: the fragility of the policies implemented**

After reviewing the difficulty in the definition and measurement of the concept of inequality, and analysing the failure of the trickle down economy in reducing inequality, due to the fact that higher growth and higher development do not result automatically in less inequality, we can now briefly touch upon the time frame, as this will highlight other problems encountered in the research. It is important to consider this aspect, because it can provide important implications for future development projects, to ensure their sustainability and that they are able to withstand the trial of economic crisis.

As it has been explained in Chapter 1, the time frame selected was incredibly strategic, as it had a double-fold advantage: first of all, the year 1990 marked the third wave of democratization for the countries of Latin America, and especially for the countries selected, as Brazil, Argentina and Chile had survived violent military regimes, allowing to monitor the progress on the democratic path; moreover, such a timespan, as it has been explained, allowed to monitor tangible progress through a very rich set of data, which is very uncommon for the Latin America region (and we have seen in Chapter 5, in the case of Argentina, the difficulty in obtaining a real measure of the extent of poverty and inequality during the government of Cristina de Kirchner, due to data manipulation). This represented a very good opportunity to carry out research having a wealth of reliable information, elaborated and analysed by some of the best scholars in the world, by the main development agencies, which would allow to measure progress in a tangible and effective way.

The choice of such a time frame has been therefore strategic and it has allowed to produce very impressive results, to see how successful the Millennium Development Agenda was, and to monitor the progress over the course of 25 years.

As it has been said, the progress registered by all three countries, has been highly successful, especially if one takes into account the fact that not all countries started with the same levels of poverty and inequality or have different historical background, or different population sizes. This is in particular the case for Brazil, a country that stands alone compared to Argentina and Chile, which are more similar in historical background, with a strong European influence, and have a limited population size, while Brazil is the most populous country in Latin America, and was deeply marked by slavery, with about 54% of its population of African descendant, while the white population is a minority but has controlled power and culture since the beginning of the colonial process.

After marking the difference between the three countries, which have also resulted in different outcomes in terms of development, we can reflect upon the fact that impressive results have been achieved in the 25 years taken into account, with a country like Brazil, for example, turning into one of the strongest economies of the time, and able to take millions of people out of poverty and turning into a reference for all its impressive results on food security and hunger. Argentina as well has been highly successful, especially if one considers the harsh economic crisis that it endured in 2002, due to a series of wrong economic measures, as well as to the wrong policies imposed by the IMF, which swept away the economy of the country, plunging Argentina into one of the worst economic crisis a country could have face. Yet, the country was resilient and it recovered in just a few years, the economy managed to grow again, and the Peronist government also supported many initiatives aimed at reducing poverty and hunger, so that Argentina, despite its economic troubles, was able to reach the MDG Goal number 1 for poverty and hunger. Different considerations must be drawn for Chile, a country which has

severe geographical constraints which have been both an advantage and a disadvantage for human settling, and has therefore had a smaller population, and a strong connection, like Argentina, to its European legacy, with focus on public healthcare and universal education. Possibly the smaller population size for Chile, due to its geography, have made the task for Chile easier, to overcome poverty and escape hunger. Throughout the research, Chile has appeared as the most successful country.

As a matter of fact, while we have analyzed the impressive results of the three countries over 25 years, highlighting the paramount results achieved with regards to the MDG Agenda, we must reflect upon our recent past: Chile is the only country that has been able to maintain the good progress achieved in the 25 years and has maintained a high level of development. Unfortunately, both the efforts of Brazil and Argentina have been swept away after 2015, due to the huge economic crisis that has afflicted the countries. For both Brazil and Argentina, we cannot determine whether it was the political instability that brought the countries to a very severe recession, or the recession which brought the country to political crisis. What we do know, is that by 2016, the impeachment of Dilma Rousseff and the replacement by Michel Temer have been followed by one of the worst economic crisis Brazil has experienced, and which has endured throughout 2018, slowing down the economy, and reverting back most of the good progress that the country had manage to achieve in the 25 years of the MDG Agenda (some signs of a slowdown could already be seen by 2014). Argentina as well, is experiencing a very difficult situation, 2017 and 2018 have been very difficult years for the country, with the Macri government. New economic measures which have impacted the weakest segments of society have been implemented and many protests have marked the social life of

Argentina in the last two years, bringing the country on the verge of a new recession. All the impressive progress of these two countries has been partially swept away in just two years, the democratic progress has been stalled (in 2017, the most famous political scientist in Brazil, Wanderley Dos Santos has defined the impeachment of Dilma Rousseff as a parliamentary coup d'état), poverty has soared again, and along with poverty, inequality has re-emerged stronger than ever, as the economic crisis has had a very strong impact on the weakest segments of the society. Important programs such as Bolsa Familia have been significantly down-sized, depriving some families of their only income, and depriving children of education as a consequence.

The only country that was able to maintain its good results was Chile, which has managed to secure the progress accomplished during the 25 years taken into account, and has not experienced any dramatic events after 2015, and is progressing with the SDG Agenda of 2015-2030. As we will see in the policy implications for this chapter, a possible explication for Chile's ability to maintain progress can be sought in the high quality of Chile's politicians and the low corruption that the country registers, the lower incidence of social violence (which for Brazil is incredibly high, and takes a tremendous toll in the development of the country, in terms of GDP and human capital, as explained in Chapter 4).

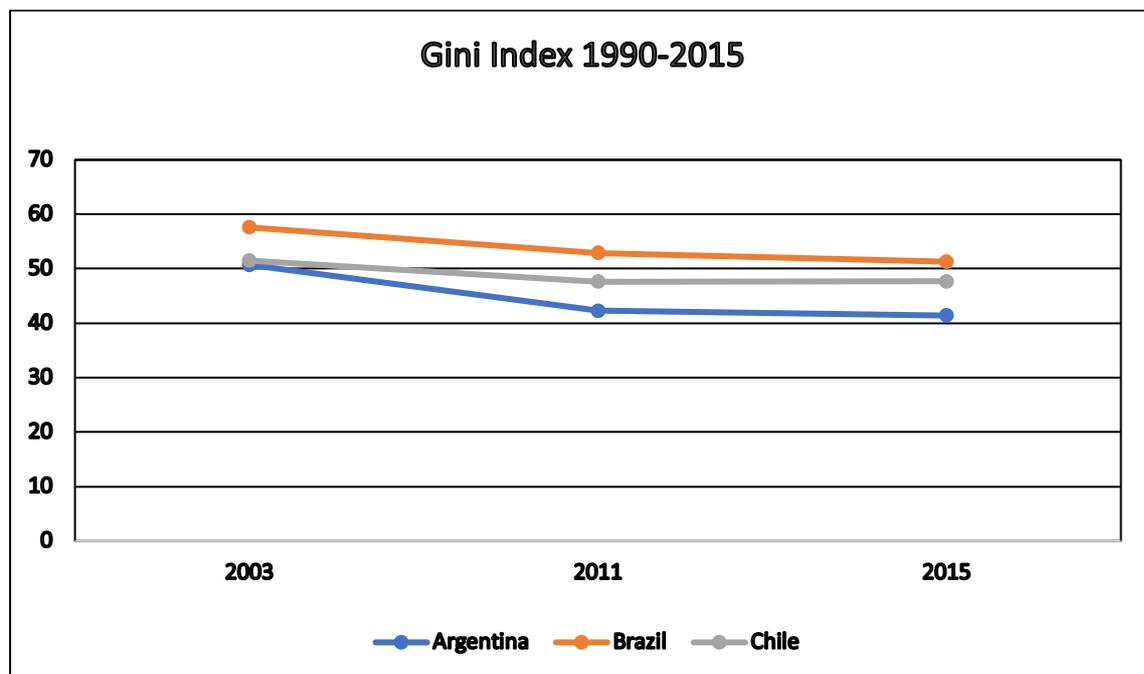
To conclude this brief reflection about the time span analysed, we can conclude that despite all the progress and the analysis of the efforts carried out by the countries, we need to go deeper into the analysis, and tackle some structural problems that both Argentina and Brazil present and have been left unchecked despite the efforts made by both the countries and the international community. A usual suspect seems to be corruption, which is endemic in the two countries (Brazil was swept away by the *Lava Jato* investigation, while in Argentina the International

Corruption Index has been even higher than Brazil's) and which no development agenda has managed to tackle. Possibly, future efforts should be primarily directed there, as if left unchecked, things can change dramatically, even in just 2 years. It is important to underline this aspect, due to the fact that by now, we have seen and know that economic crisis is cyclical, due to structural failures of our economy: it happened in 1929 with the stock market crisis, then again in 1974 with the oil crisis, and we have experienced it from 2007/2008 with the *too big too fail* crisis and its domino effects at global level. We have reached a level of understanding of history so that we know that crisis will present itself again over the course of time. Development programs aimed at improving growth and distribution must consider that crisis will eventually arrive and reduce the availability of resources for aid programs. It is necessary to build safety nets that can assure the sustainability of development programs so that we are prepared in times of crisis and the good results built in decades are not reduced in just a few years.

#### 9.4 A look at the data

If we look at the results of the analysis we carried out in the second chapter of each part concerning the three countries, we can identify several patterns. As we have seen, we see similar results for Brazil, Argentina and Chile. For the three countries, we see that the Gini decreases over the 25 years taken into account, with great progress in Argentina, Brazil and Chile, with Argentina recording more progress than the other two countries, Chile is progressing slightly in this sense, and Brazil is making remarkable progress, although it started with a very high Gini to begin with, and therefore it still records a Gini above 50% (51.3%). We can re-examine graph number 175 which summarizes progress in decreasing of the Gini index in the time span 1990-2015 for our three countries of analysis:

Graph 183: Brazil, Argentina and Chile: Gini index 1990-2015

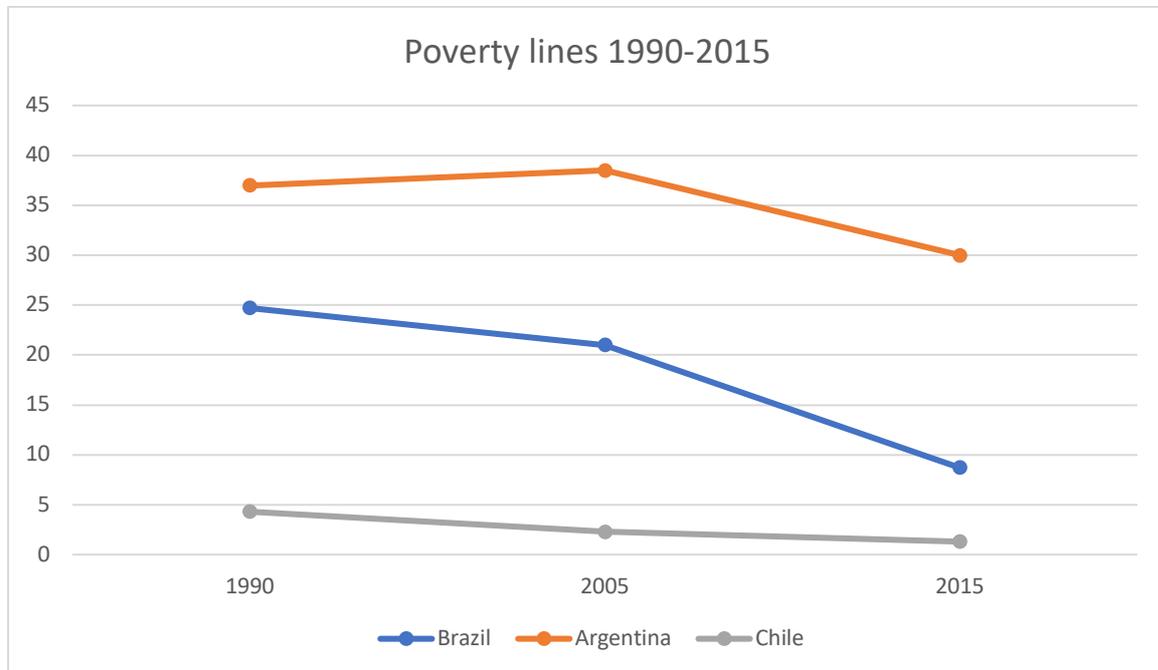


(Data from the World Bank, 2018)

Before making any final consideration on the data, we have to bear in mind that the data for Argentina might be inaccurate due to the manipulation of data that occurred during the mandate of Cristina de Kirchner. If we look at the data on the Gini (with all the limitations that we highlighted in the first section of this chapter), we can argue that in terms of reducing inequality as measured by the Gini, Chile seems to be the country which recorded less progress in this sense, with very modest results (from 51.5% in 2003 to 47.7% in 2015), although the country started with the same level of inequality of Argentina. While Brazil is still the country with the highest level of inequality, we see that Brazil has recorded very significant progress, from 57.6% in 2003 to 51.3% in 2015), while Chile and Argentina started with the same level of inequality in 2003 (Argentina 50.7% and Chile 51.5%), but Argentina managed to reach a Gini of 41.4% while Chile's Gini in 2015 was 47.7%. Therefore, while being the country with the highest quality of democracy, as we highlighted in Chapter 8, Chile's level of inequality is still very high, especially if one considers the restricted population size of the country, and the good political tradition.

If we look at the poverty lines for the three countries, we see that Chile has historically had very low poverty lines while at the same time very high inequality, while Brazil had both very high poverty lines and very high Gini index, and Argentina as well had very high poverty lines and high Gini coefficient. The graph below shows the evolution of poverty lines for Brazil, Chile and Argentina:

Graph 184: Brazil, Argentina and Chile: Poverty lines 1990-2015

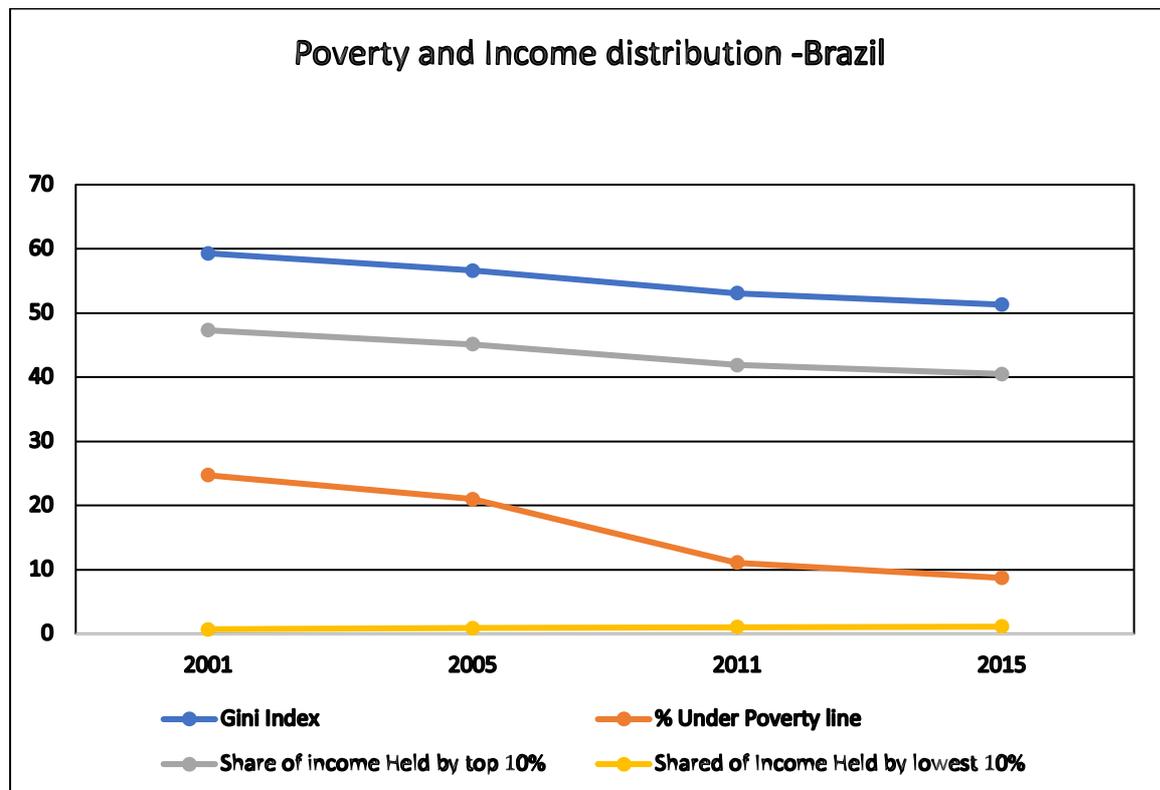


(Data from the World Bank, 2018)

As the above graph shows, the progress registered by Brazil in terms of poverty reduction is paramount, and it explains why the country has turned into an example on poverty and hunger reduction. Chile's record on poverty was very modest, due to the fact that the country started with low levels already, but the country has a very high level of inequality, proof that the trickle down economy was not successful, and very high levels of inequality can coexist with low levels of poverty. Chile's example helps us understand that every growth oriented policy must conceive distributive policies as well, as growth *per se* is not able to ensure that all segments of society benefit from it.

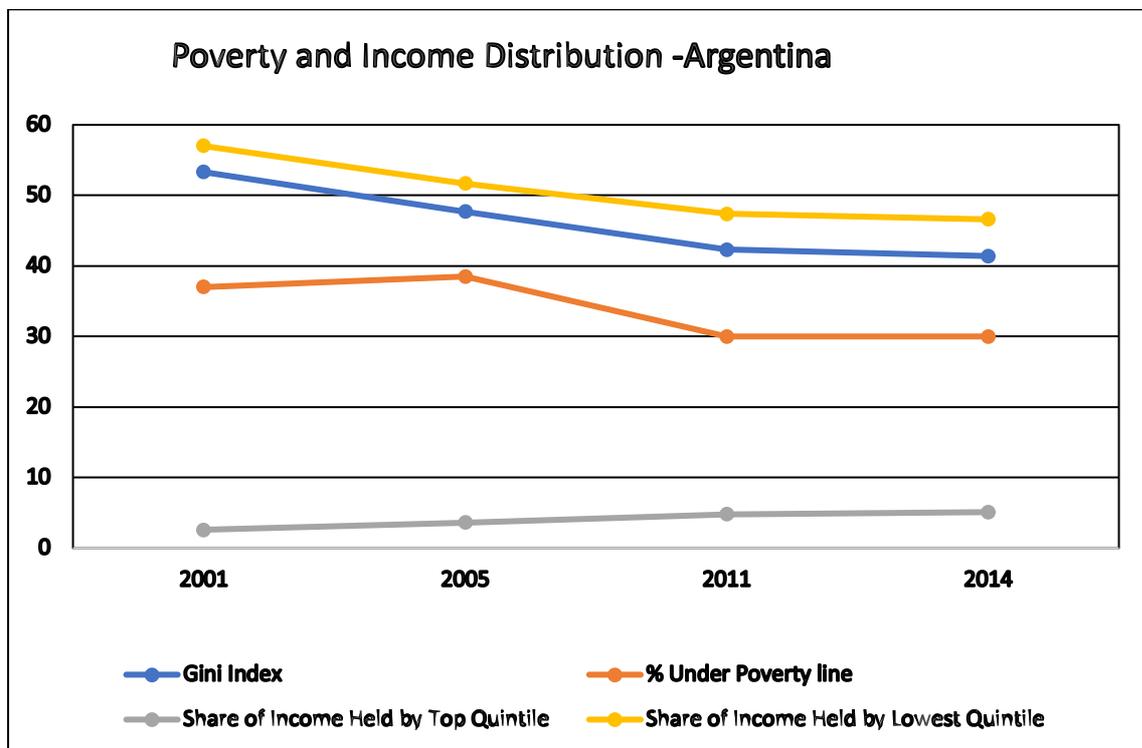
When we analyze the share of income held by population segments, we see that in the three countries there is a similar pattern: while the share of income held by the top segment decreases slightly (in Brazil less than 8% in 25 years, in Argentina about 6% in 25 years and in Chile about 9% from 1990 to 2015), the lowest 10% in all countries did grow very little in the same time span, which shows the real magnitude of the problem and how unfair the distribution of resources is in the countries. We can recall the graphs we created for each of the three countries to have a clear picture of the gap between the top and lowest segments:

Graph 185: Brazil - Poverty and income distribution 2000-2015



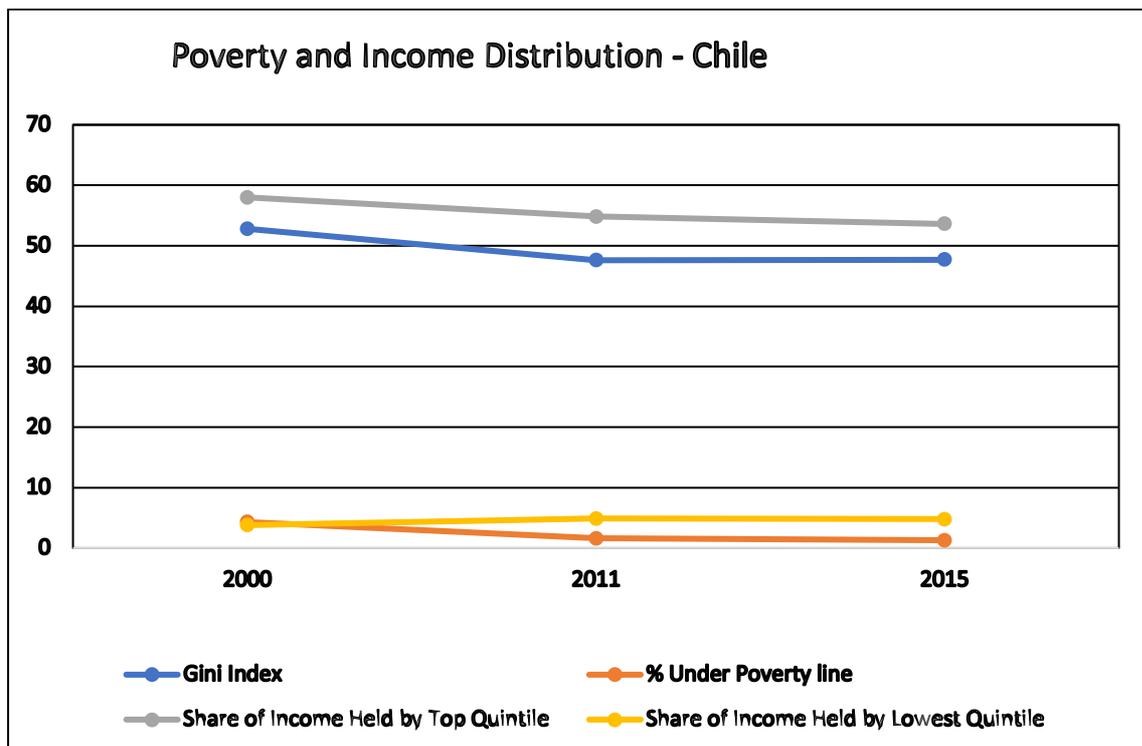
(Data from the World Bank, 2018)

Graph 186: Argentina - Poverty and income distribution 2000-2015



(Data from the World Bank, 2018)

Graph 187: Chile - Poverty and income distribution 2000-2015

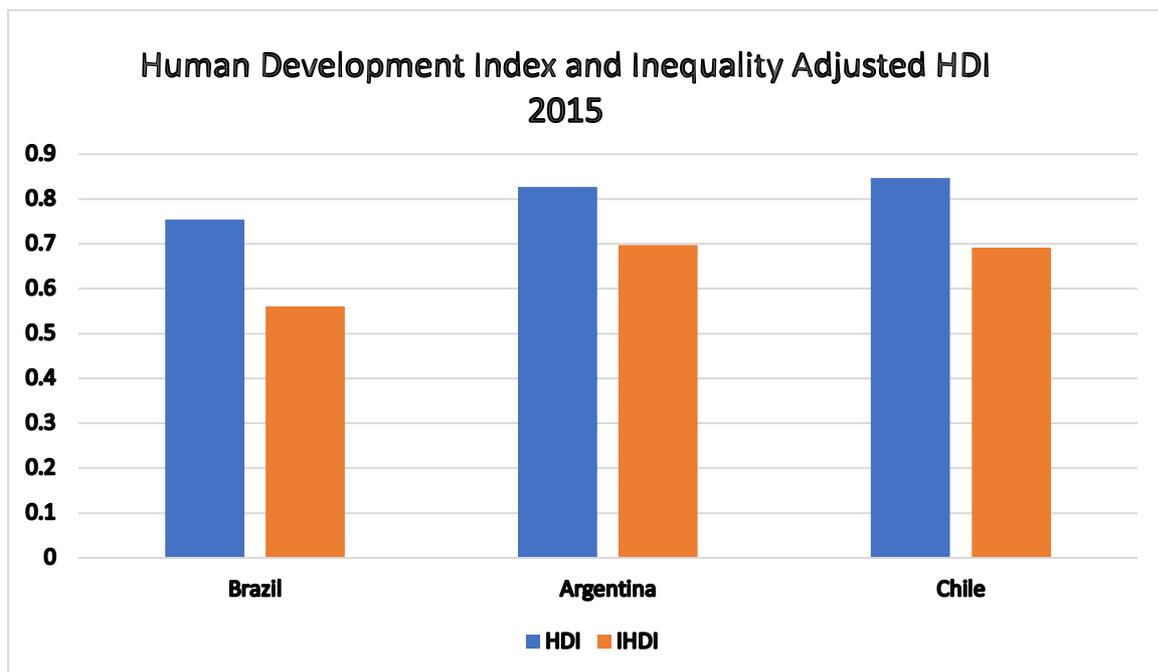


The graphs above show the importance of having an indicator which monitors growth in segments, as it allows to identify where there are problems. As a matter of fact, while it is possible to appreciate a reduction in the share of income held by the top segments of the society, we can also identify stagnation for the lowest 10% over 25 years, which tells us that the policies implemented up to this moment have benefitted the middle class, but the lowest 10% of the society has stalled. A possible revision of growth oriented policies could be suggested.

If we look at the Human Development Index, we see great progress for the three countries, with Argentina and Chile recording very high levels of human development, which place the two countries among the group of countries with very high human development, while also Brazil fares extremely well, and records significant progress over the course of our time span. If we think about the multidimensionality of development, we can appreciate the progress that the countries made in terms of education, health and income, and how this progress is particularly important if we think about the difficult political past that all three countries endured, how controlled the lives of the citizens were, and how difficult their path to development and progress was. Being able to advance so significantly in terms of development in a relative short period of time, has represented a model that other developing and emerging economies can look at (this is especially the case of Brazil in terms of food security, as Lula's Brazil has represented an example for all development agencies). However, the good and fast progress recorded in terms of human development appears less significant if we look at the inequality adjusted HDI, which accounts for all types of inequality within the population: all countries register very high levels of inequality, with Brazil registering more than the

average loss for countries in the LAC region, and all countries register a loss that takes them back to the same level of development of 1990:

Graph 188: Brazil, Argentina and Chile – HDI an IA HDI 2015

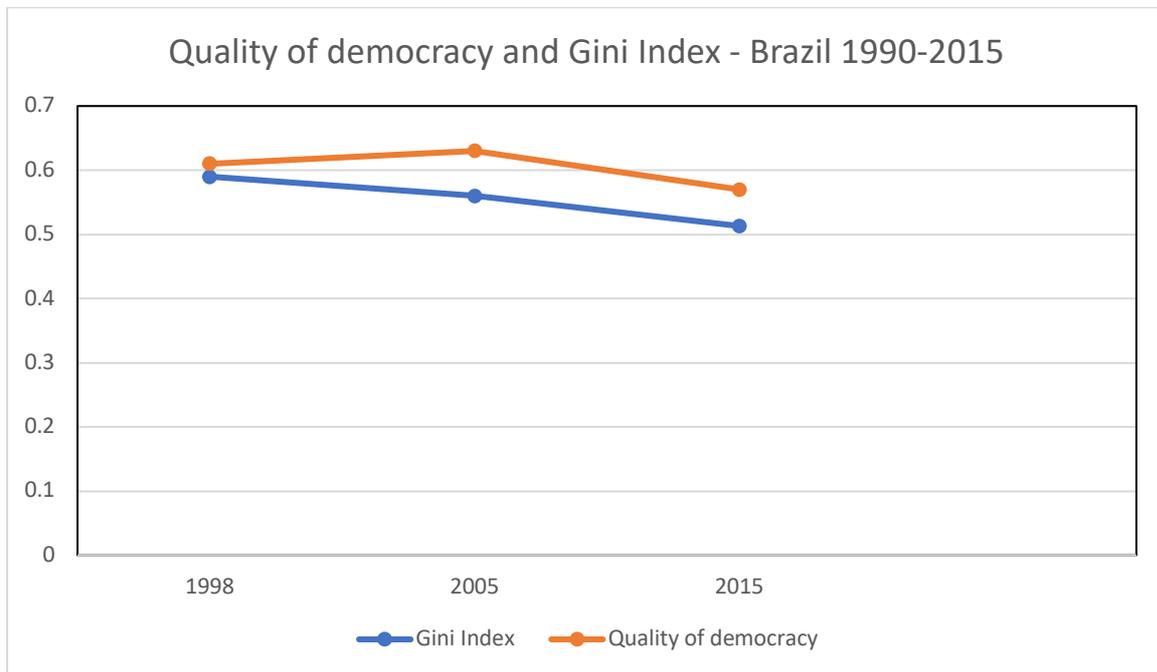


(Source: UNDP 2018)

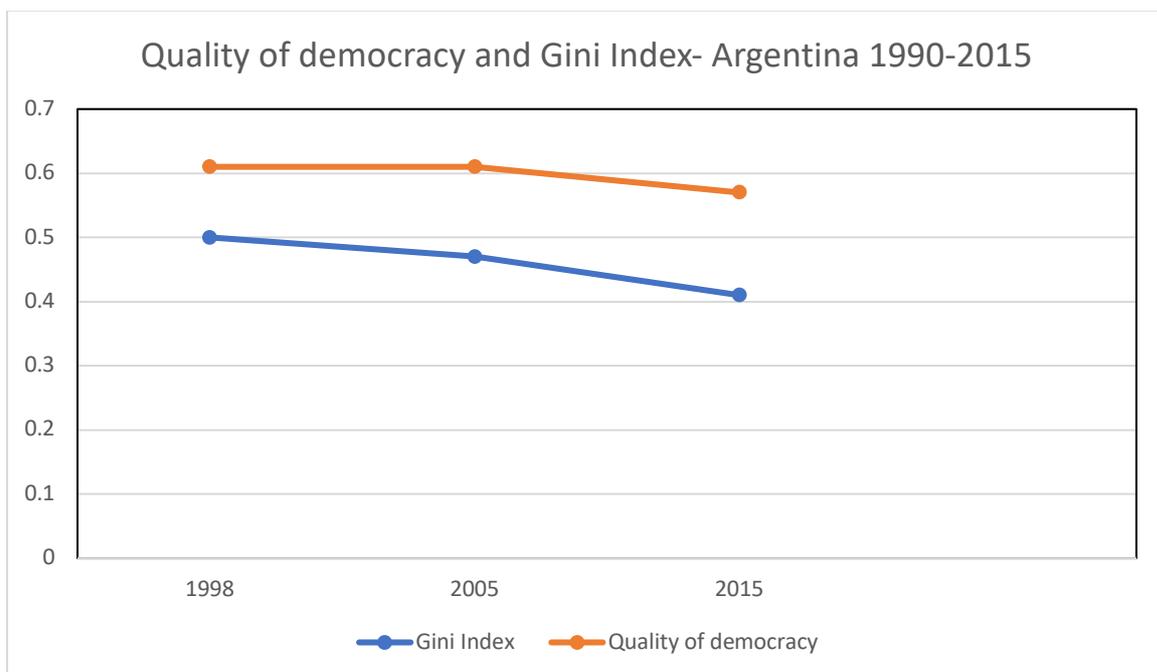
As we can see from the above graph, inequality is a particular relevant problem for these countries, for historic and cultural reasons, and this suggests that the price all countries pay for their high level of inequality is very burdensome, as it takes all three countries at the same level of human development of 1990. The policies implemented so far have not been able to address the issue, possibly due to the wrong idea inherited from the 1980s that growth would trickle down to all segments of the society, but this might also be due to the high level of corruption that has stalled the progress of the countries and has increased the inequality.

If we look at the data we have collected for democracy in the countries, we see that according to the different sources we have consulted we see different results: in general, Freedom House seems to provide a better outlook for all the countries, registering progress over the 25 years taken into account in terms of freedom rating, civil liberties and political rights; the perception offered by citizens, however, is not as positive as Freedom House tells us. Latinobarometro shows that the majority of citizens in the three countries is not satisfied with the democracy in their countries: Argentina seems to fare better than the others, while Chile, the country with a high quality democracy, seems to fare the worst in terms of users' satisfaction. If we look at the Democracy Index as analysed by the Economist Intelligence Unit, we see that all three countries are considered as flawed democracies: Brazil and Argentina record a loss in the index since 2006, while Chile is the only one which managed to maintain stability over the years. Finally, if we look at the quality of democracy index elaborated according to Morlino's work (2011), we see that there is a similar pattern for the three countries: there is a slight increase in all indicators from 1995 to 2005, and then there is a loss in the index in the decade 2005-2015. This is true also for Chile, which is the country with the highest quality of democracy. We can recall our previous graphs to compare results:

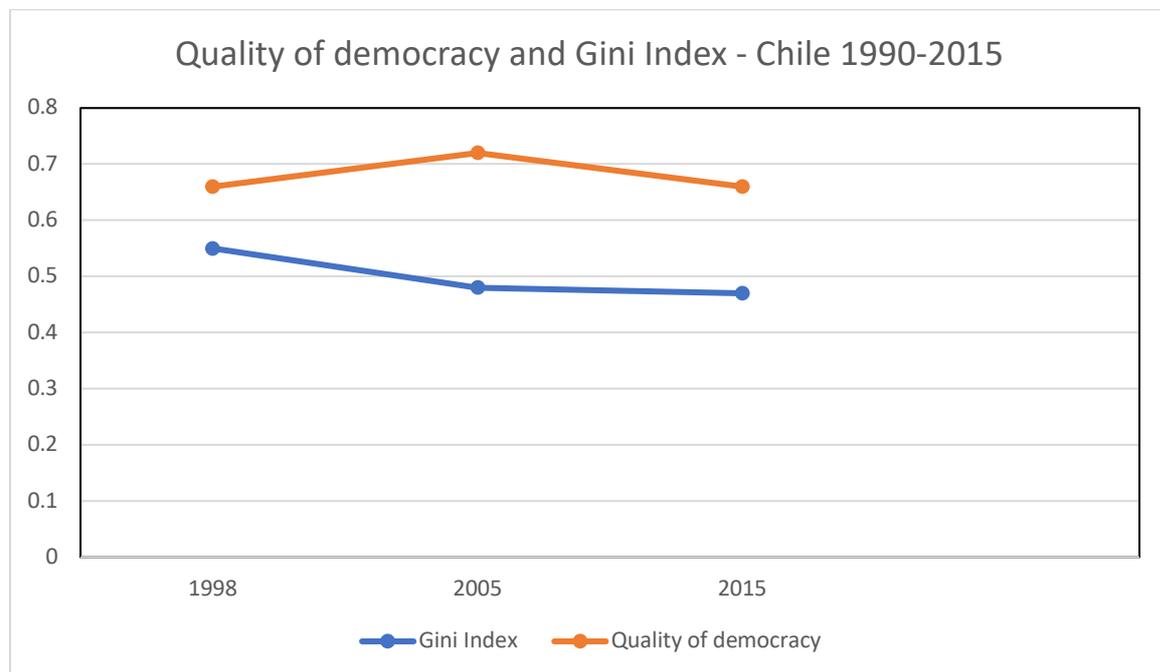
Graph 189: Brazil Quality of democracy and Gini index 1990-2015



Graph 190: Argentina - Quality of democracy and Gini index 1990-2015



Graph 191: Chile- Quality of democracy and Gini index 1990-2015

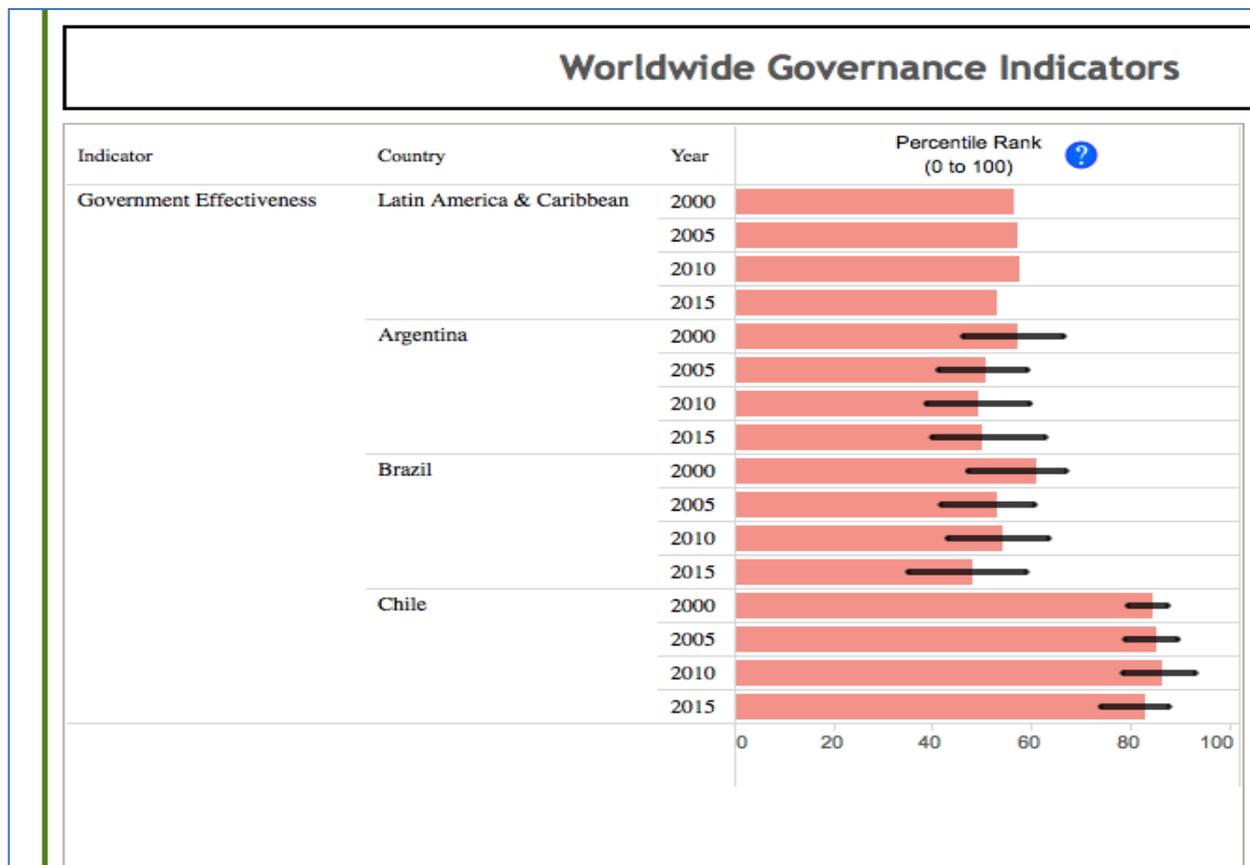


If we look at the relationship between the Gini Index and the quality of democracy, we are not able to establish any significant correlation, as the Gini decreases constantly (although it stays very high in all the three countries) while the quality of democracy increases and then decreases. If we maintain a mere definition of inequality as the difference of income between the top and lowest segments of the population, we are not able to show a correlation between inequality and the quality of democracy either. Even if we look at the share of income held by segments of population, we see no obvious correlation, and no reason for the explosion of inequality after globalization. However, if we believe in the multidimensionality of human development and of all human phenomena, and move towards the more comprehensive definition of inequality of opportunity and outcome as defined by the United Nations, we can see how the top segments of the society, be it the 10% or

the 1% are using their power to lobby, influence policies, get the best opportunities and the best resources, then we can see a correlation between a declining of quality of democracy and an increase in inequality. If we believe important scholars such as Pikety, Stiglitz, Milanovic and all the important work carried out by Oxfam International in the last 5 years (see Chapter 1 for references), then we can identify a correlation between the increase in inequality and the worsening of democracy in the three countries we have studied so far.

Moreover, another element that we appeared clear from the research is that political tradition is more important than any other factor: we have not been able to find any obvious connection between inequality and the quality of democracy: we have been able to use very good indicators for democracy, thanks to the theory developed by Morlino of quality of democracy. For inequality, we have had to resort to the Gini; however, even when using other indicators such as the Human Development Index, we cannot infer any correlation between human development (if we decide to adopt a multidimensional approach to inequality) and the decrease in quality of democracy. Unfortunately, the original hypothesis that to a higher level of human development and to a decreasing Gini should correspond a higher quality of democracy is not sustained for these countries: it seems that culture and education play a more important role in determining the quality of democracy in a country. We can look at the government effectiveness for the LAC region (considering effectiveness as a way to measure one of the key subdimensions for the quality of democracy, the one related to the institutional and administrative capacity) (see chapter 4,6 and 8) and for our three countries in the below graph:

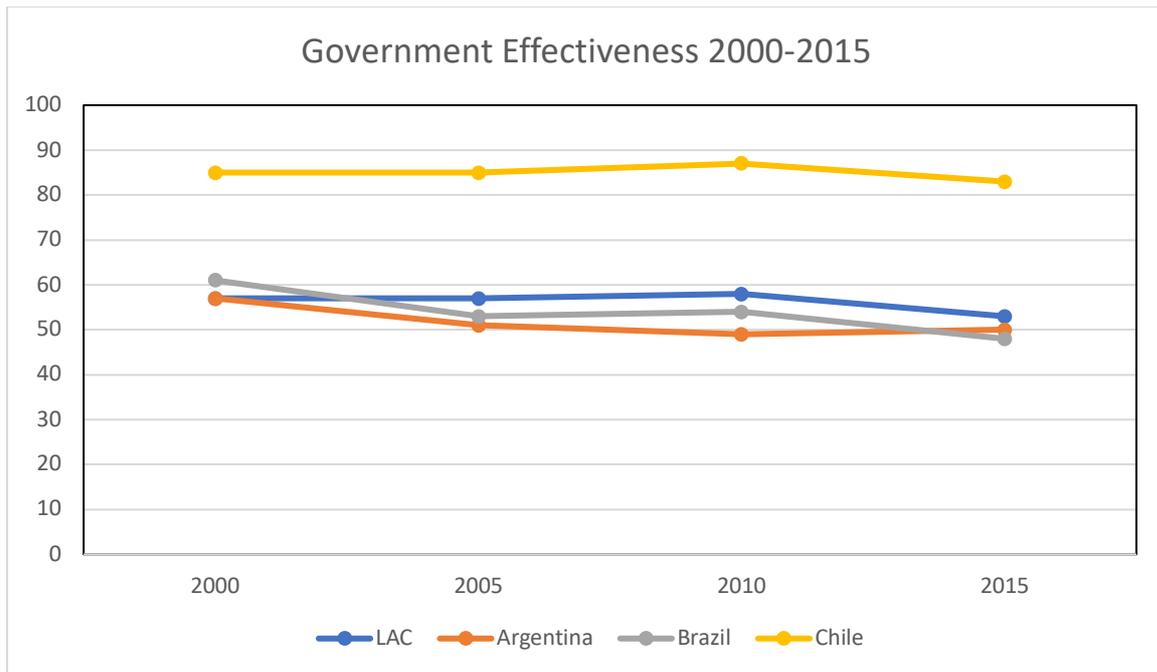
Graph 192: Worldwide Governance Indicators



(Source: World Bank, 2018c)

The graph above highlights the ranking of the LAC region, Argentina, Brazil and Chile among all countries in the world in selected years from 2000 to 2015. 0 corresponds to lowest ranking while 100 to highest ranking.

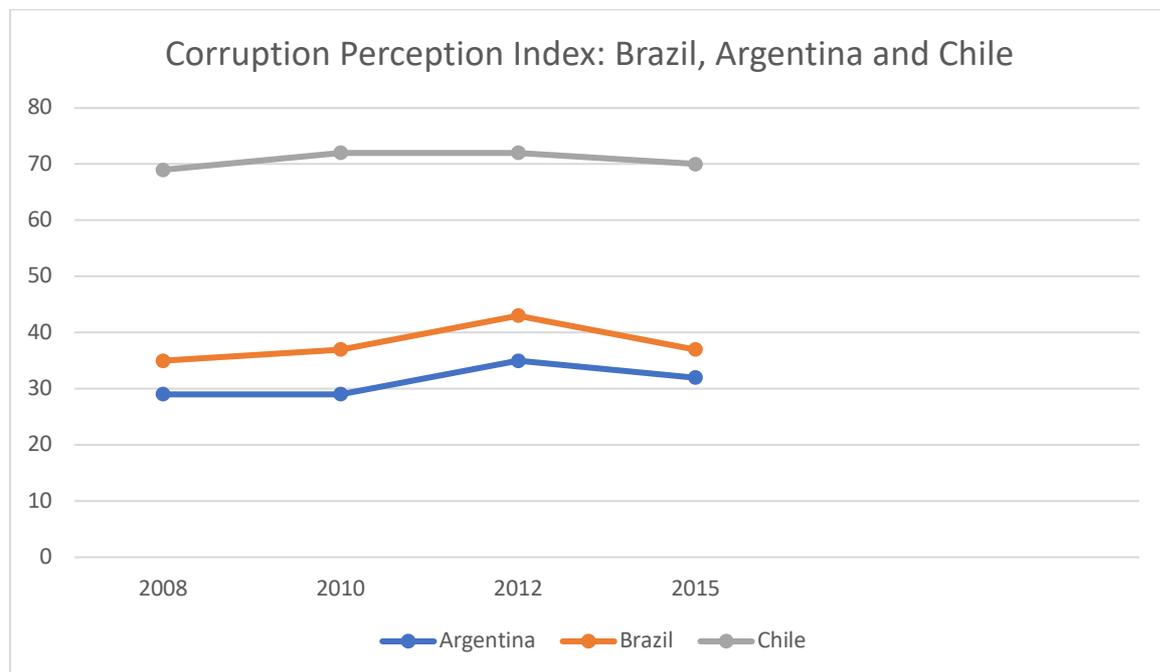
Graph 193: Government effectiveness 200-2015 – LAC, Brazil, Argentina and Chile



(Source: Data from the World Bank, 2018)

As we can see from the above graph, Chile performs above the average of the LAC region, and significantly better than Brazil and Argentina; substantially, there is a decrease in the effectiveness of all countries in 2015 (this is in line with what has also emerged from our research on the quality of democracy), but Chile performs significantly better than all other countries and above the LAC region average. We can assert that this is possibly due to the highest level of political quality and good standards that the country enjoys. Moreover, another element is connected to the quality of democracy, again another of the subdimensions we took into consideration (see chapters 4, 6 ad 8): the occurrence of corruption (considering the absence of corruption as a proxy for a high quality of democracy). As we have seen in the previous chapters, corruption is endemic in the LAC region, and countries like Brazil and Argentina rank among the most corrupt countries in the world, while Chile on the contrary has very low levels of corruption:

Graph 194: Brazil, Argentina and Chile – Corruption Perception Index 2000-2015



(Source: Data from Trading Economics, 2018)

As we can see from the above graph, similar to government effectiveness, Chile is well above Brazil and Argentina, which fare pretty poorly (bearing in mind that the index goes from 0 to 100, where 0 is the lowest rank and 100 the best in terms of absence of corruption). We can see a strict correlation between government effectiveness and absence of corruption. However, we are not able to infer whether a low index of corruption increases the government effectiveness, or if a high quality of democracy is less prone to corruption, but we know that there is a correlation between the two, and we can argue that the high level of corruption in Brazil and Argentina is interfering in the effectiveness of the government, and is possibly due to the low quality of politics in the two countries.

## 9.5 New paths for research and policy implications

Throughout the research, we have come to the conclusion that with the current tools that we have, we can only assume that there might be a correlation between the lowering quality of democracy and the higher inequality, but this is only reflected if we look at the share of income as measured by Piketty for example, or adopt a much wider definition of inequality, such as the one presented by the United Nations. However, we are not able to identify any correlation by simply using the Gini and considering inequality as a mere difference in income, or even using the current indicators that we have, such as the HDI. We can now reach some important implications from this instance, and develop new points of focus for future research, as well as several policy implications.

A first point where future research should focus is on developing a good and sound *working* definition of inequality, and a subsequent indicator. As we have explained during the research, inequality is a multidimensional factor, like poverty and human development, and cannot be reduced to only difference in income or in monetary indicators. Just as poverty and development, several elements make up the inequality equation and should be considered when examining the level of inequality of a country. During our research, we have seen that a valuable definition seems to be the one elaborated by the United Nations, that distinguishes between opportunities and outcome (income would be an outcome, given by different opportunities). Such a definition is a promising one, as it considers the multidimensionality of the issue; however, such a definition needs to be taken further, elaborated further to become a working definition, a definition through which the complexity of the issue can be reflected and measured. Such definition should be further researched and should produce an indicator, in line with what happened for

multidimensional poverty, with its MPI index and with human development, with its HDI index, so that we can define and measure inequality effectively. Without any doubt, any definition and any indicator developed for inequality should include some important elements such as human health (food security seems to be particularly relevant as it will determine how a person will proceed in life), education, as education seems to be a very important issue in determining the outcome of a person, income, because income is a good proxy to determine the opportunities that a person will enjoy in his/her life. However, the new indicator should also find a way to include family background, as the family of origin is possibly one of the most important elements in determining the future of a person, the opportunity that he/she will attract, the schools that he/she will be able to attend. It should also find a way to include the corruption index of a country as corruption is the main bottleneck to fair opportunities. The problem of inequality is that it perpetuates itself, creates lobbying groups, shuts down opportunities and prevents class mobility. A good definition, and a good measure should reflect all these elements and see how opportunities for the weakest segments are limited, resulting later in life in different outcomes.

An additional path for research/policy recommendation derives from this first one and concerns the role of education in a society, and the need to strengthen this paramount element. As we have seen in the case of the three countries, education plays a very important role in determining the level of inequality of a country. All the three countries that we have examined, had significant problems in the public education system: Argentina and Chile, which were the countries with historically a stronger education system, have recently seen a very strong deterioration of their public education system, which has strongly impacted their level of inequality and also the level of poverty. For what concerns Brazil, education has never been of high

quality as it was in Chile and Argentina, but good progress has been achieved through the cash conditional transfer programs such as *Brazil sem miseria* and *Bolsa Familia*. Such progress, however, has not been enough yet, and this is reflected for example in the prison population in Brazil, as the majority of the inmates do not have a middle school diploma. Education seems to be a very important element in deciding the outcome of a country, and it is particularly worrying that there has been a substantial weakening of public education in the three countries examined. Moreover, at global level, we have experienced a weakening of public goods during the liberalist phases that have started since the 1980s, and have corresponded with the rise in inequality that has been so often denounced by Oxfam International, the United Nations and the World Bank. Education, in particular a good quality public education, seems to be the key to reverse inequality from the early age: as we have seen during the introductory chapters for each country, a quality education in public school was often missing, with public schools unable to provide good education and to attract good teachers that can pass on high quality education. If one wants to battle inequality and break the cycle that perpetuates from early age, reform in the public education system is strongly needed, allocating resources, spending time and resources to reform the public sector, to train teachers and give new impetus to the concept of a quality public education. As the World Bank (2016) rightly argued, each country decides what level of inequality it wants to have and it does so by choosing to reform or impoverish its public goods. As we have seen in Brazil, until the economy was undergoing a positive phase, and the PT was at the government, there was an effort to battle poverty through cash conditional transfer programs which put emphasis on schooling, and managed to be highly successful and reduce poverty, and partially reduce inequality as well. However, when the economy started to suffer,

from 2014, we have seen a reduction in the funding for such programs and unfortunately, the level of well-being has decreased and there has been loss in the progress recorded since the 1990s. A good quality education is not only a secure measure for reducing inequality, but also, it does respond to a higher quality of democracy, where citizens have more rights and freedoms, are more aware of the political life and can actively participate. Education is possibly the most powerful tool to battle inequality and secure a more democratic society. For this reason, we need to insist on the role of education in these countries, and create safety nets, as explained in the section about the fragility of the policies implemented. Economic crisis is cyclical and will present itself over time, but development programs and education programs need to build safety nets that can ensure that development programs are maintained even in times of economic crisis.

Another important element that must be considered if one wants to win the battle against inequality and improve the democratic representation of the society, and which is particularly relevant in all the three countries that we have examined, is represented by the colonial culture that has characterized the settlement of Europeans in the countries, and the subsequent process of cultural formation. As we have seen during the research, inequality is a very complicated issue, made up by interconnecting factors, but culture is without any doubt, a very strong one. Brazil, Argentina and Chile, all have a very strong colonial past, in which the European colonizers arrived and conquered, fought with the local populations over lands and established themselves as the new owners of the countries. This was further complicated in Brazil (the country with the highest level of inequality) due to the huge wealth of the country and the massive use of slaves coming from Africa. Undoubtedly, this heavy colonial past has left a very deep scar in the society of the

three countries, with lower levels of well-being, education and income for the descendants of the local populations. In particular, this appears very common in Brazil, with the majority of the population being of African descendant (about 54%), while the majority of the positions in power are retained by Caucasians of European descendants. If we truly want to reduce inequality of all kinds, of income, of opportunities, of outcome (outcomes can be much more ample than income, and can include happiness and fulfilment), we need to work on the culture of the societies in which inequality manifests, we need to provide ambitious measures aimed at breaking the cultural cycle of discrimination and racism that is still preventing the society to move towards greater equality. There is a strong need to change the culture of these countries, to make sure that better representation is provided, both to reduce inequality and to provide a more democratic society, where all citizens enjoy the same rights and can be represented in a fair and equal way. In this sense, the programs carried out by the left governments, following the Millennium Development Agenda, have proved highly successful, but they have not been able to produce a change in the colonial culture of those countries. Moreover, now that the economy is undergoing a major crisis in these countries (Chile is up to the present the only country that is still doing well in this regard), this has consequences on the funding of the social programs. Due to the more conservative governments in power, there is a need to rethink about the possible strategies to achieve better representation and better equality. Possibly, a change of paradigm in the culture should pass through new development programs aimed at supporting population of African and Indio descendants, but such a change should also be promoted at all levels of the society, be promoted by the local governments, the media, other means of communication, by all segments of the society. While there is no doubt that

changing the dominant colonial culture in these countries is certainly a very difficult task, as it will encounter resistance, this would be a very important element to reduce inequality, as it would entail a change of culture and perspective towards a more inclusive concept of the society. Moreover, as we have seen in the case of Chile, where there is a very good political tradition which guarantees low corruption and high government effectiveness, two sub-dimensions of the democratic quality, inequality is not necessarily correlated to the quality of democracy (which however does not mean that it does not have any impact). With Chile, we have seen a good instance of high quality democracy and at the same time high socio-economic inequality. Inequality can move on a different path, and it is therefore very important to promote programs and actions aimed at sensitizing about inequality and how much it impacts the development of a country, as the Inequality Adjusted HDI has shown.

Among the many possible policy recommendations that should be taken into account, there is certainly the need to fight the overwhelming corruption that characterizes the region and impacts heavily at least two of the three countries analysed (as we have seen, in this respect as well, Chile is faring much better than the other two countries). Such policy recommendation has been stressed by Morlino (2016) and many other scholars, as corruption is one of the most urgent issues in the region. As we have seen when researching Brazil, in 2017, corruption came to be perceived as the biggest problem in Brazil, felt more strongly than hunger, poverty and violence, which in Brazil are all very urgent issues. For the first time, Brazilians felt that corruption was depriving them of the possibility to live a happy and fulfilling life, to develop in a sound way and to overcome poverty and inequality. And the statistics do confirm that the perception of the Brazilian citizens is correct, as each

year Brazil's Index of perception of Corruption decreases, and the country fares among the worst in terms of corruption (see Chapter 4 for detailed information about corruption in Brazil). Argentina is actually faring even worse than Brazil, although Argentinians do not feel the issue as strongly as Brazilians do. Even Chile, that has low levels of corruption compared to the other two countries, and is faring mostly like a developed country (as we have seen, Chile is ranking just below France in this respect), is experiencing worse results with each year, a worrying sign for a country inserted in a context of overwhelming corruption. Corruption, as we have seen, is detrimental for both inequality and democracy, as it creates and encourages rent seeking behaviour, distorts the sense of legitimacy, deprives people of hope by reducing opportunities and creating a privileged group of people that can get the best opportunities in life. Corruption deprives citizens of important public goods such as health and education, public goods that can help escape the poverty and inequality trap and determine a sound development. Corruption is one of the main culprit, if not the main culprit, of the erosion of the democratic society, and the increase in inequality, as it distorts the fabrics of a society, by creating and encouraging rent seeking behaviour. It has far reaching arms that can get to all levels within the democratic society, can bend laws and ultimately block the sound development of a society. Every strategy that aims at reducing inequality and strengthen democracy in the region must necessarily pursue, with strong efforts, anti-corruption measures, with harsher punishments and more checks and balance.

Another important measure which could contribute to a lower level of inequality has to do with reforming the current taxation system. This measure has been proposed by several authors, calling for different levels of reform of taxation. Thomas Piketty (2013), for example, called for a system of taxation that would

require taxation for the wealthiest segment of the society as high as 80%, which seems actually very unlikely to be accepted by the top 1% or the top 10% of the society. Other authoritative voices like Oxfam international have called for a fairer taxation system, in which governments cease to offer tax breaks to big companies, but actually reform the taxation system, placing a higher burden on the wealthiest and reducing taxes on consumption and on goods. This is particularly relevant in the countries of our analysis, as the majority of the tax burden is borne by the lowest and middle class, as taxation is applied directly on goods and services, while the wealthiest segments of the society can take advantage of tax heavens, their power to exploit globalization to move capitals where they might find better conditions. Reforming the tax system of a country is without any doubt not an easy task, but it is necessary if we really want to end the cycle of inequality, and also to be able to provide better public goods, as the right taxation can be used to fund public goods, such as high quality public education, public health care and better services and infrastructures. During the course of our research, we have seen how important it is to be able to provide such public goods especially in these countries, as for a reason or another, the countries lack in some or all of these elements and need them for their sound development and to reduce the high inequality that characterizes them, for both historical reasons and for the way the cycle of inequality perpetuates. As we live in a globalized world, this task will require a common framework in which the countries of the region can operate and we also need international standards and rules so that countries are not allowed to take advantage of better taxation rules. This will require an unprecedented international cooperation and a new system of taxation that should be as global as possible. One of the main reasons for the skyrocketing inequality that has becoming so urgent with globalization is the wrong

allocation of resources, and the inability of government to face the effects of globalization. Inequality is now a global problem, favoured by globalization and the ability to move capitals freely, and as such, the international community must give a concerted answer. Reforming the taxation system is necessary to ensure that there is finally a right allocation of money, that all segments of society are treated the same, and that no organization is allowed to blackmail governments, hide their capital in fiscal heavens. The international community as a whole must work towards reforming the taxation system, reducing the burden that the lower and middle classes are called to bear, work in order to stop offering tax breaks to those who evade taxes by exploiting the benefits of globalization. Inequality can be significantly reduced if the right taxation system is finally implemented, as this will contribute to create a fairer society, where everyone is required to contribute according to their possibilities. Moreover, this requires a break with the past, with the liberal theories of the Reagan/Thatcher era, which placed the market forces above everything. Each government must take responsibility for the functioning of the market, and make sure that rules are respected. We have seen the danger of an unchecked market during the financial crisis of 2007/2008, and we have the tools to understand that the neo-liberalist theories have failed and contributed to the high level of inequality at global level. There is need for a change of paradigm, for a more disciplined market that can promote human development rather than private interests and lobbying groups.

Along these important policy implications that we have enlisted thus far, there is one which is particularly relevant for all our countries, and for the Latin America region in general, and is the need to address the violence in the countries, with particular emphasis on Brazil, but not limited only to Brazil, as we have seen that Argentina as well pays a very high toll for violence, especially in the Greater Buenos

Aires areas. While Chile seems to be less interested by this emergency, the rest of Latin America is suffering as well. Violence is particularly detrimental for the sound development of a country and for ensuring that everyone has the same possibilities in life: as a matter of fact, violence is more frequent among the lower socio-cultural segments of the society, as these segments are often forced to live in high risk areas, and have grown in high risk contexts. Violence deprives people of safety and feeling secure, we have seen how relevant the dimension of violence was in Brazil when trying to define poverty (see Chapter 3 for more information); violence not only has a very high social cost, as it diverts resources that could be used for public goods, and allocates them for private and public security forces, but it also deprives a society of human capital, with very high social costs. The violence in the region is so detrimental that it hinders the development of the region, it perpetuates the cycle of inequality, as the typical victims are black males in their early 20s, living in rural areas, where poverty and inequality are felt stronger. Governments in the LAC region, in Brazil, in Argentina, must place significant relevance to tackling the issue; particular relevance must be placed on the role of education, strengthening public education. Policies must also aim at battling the high levels of unemployment in the country, reforming the police system, as Brazilian police is among the most violent and corrupt in the world. Governments of the region must come to an understanding of what violence is, as its costs are not only monetary, but also social, cultural and political, and violence contributes to raising inequality, creates a less fair society, where violence is a way of life and the most vulnerable are often victims. Battling violence in Latin America would certainly contribute to reducing the high inequality that characterizes the region.

One last point that emerges from this research deals with the next development agenda of the United Nations, the 2015-2030 agenda with the Sustainable Development Goals (SDGs). As we have seen, the first development agenda 1990-2015 was highly successful in promoting development, but did not deal specifically with inequality, but only considered gender inequality. The new development agenda on the contrary, besides aiming to reduce gender inequality, also focuses on reducing inequalities, within countries and among countries, with goal number 10. As the United Nations recognizes, progress in this sense has been mixed thus far, and developing countries need to acquire agency and their voices must be heard in international forum. However, we have to recognize that a significant problem that emerges here as well, is the way inequality is measured. Still, the monetary dimension is predominant, as it is without any doubt the easiest to be measured, and a good income is usually correlated with other proxies such as good education, good healthcare, food security and a safe environment. However, as we have seen, inequality is more complex than income, as it deprives of opportunities based on merits those who have a good income to survive but are not among the top 10 or 1% (mainly the middle class) and it distorts the good functioning of the society, it favours the top segments of the society which can pressure governments to get tailor made policies, tax breaks (which deprive the rest of the society of important services) and other favours. In such a way, the top segments of the society (be it the 1 or 10 %) get the best opportunities, can interfere in the political decisions and in the tax legislation to perpetuate inequality. Inequality therefore is not only about income or who gets the best opportunities, but it has clear and evident repercussions on the democratic life of a country, with a segment of the society lobbying, getting tailor made policies and services. Such a connection, which

this thesis has tried to show, is not very understood or researched at the moment, and seems to be underestimated. But as we have seen during the course of the research, such a connection is very important as it tells the state of a democracy, how well a democracy is faring.

As inequality is forecasted to increase in the future, democracy as we have known it is set to be in danger. The new development agenda will not only have to reflect upon a definition of inequality that goes beyond income and other monetary measures, but it will also have to reflect upon how democracy is being affected by the growing inequality, and how segments of the society are being left out. As we have seen by following Morlino's concept of quality of democracy, democracy is more than being able to vote, it entails different dimensions and subdimensions. The new challenge for human development in the future will entail being able to capture inequality and its different repercussions, and see how this impacts the quality of democracy.



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