

# Declining Economic Inequalities and Political Challenges

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During the past ten years, Latin America has witnessed notable political and economic change. Specifically, the region has enjoyed relatively strong and stable economic growth, thanks in part to the commodity boom. Moreover, most states have experienced slight decreases in levels of income inequality. On the political front, several countries in the region have undergone a much-touted “shift to the left,” and governments on both sides of the ideological spectrum have implemented equity-enhancing policies. The following four contributions to the *LASA Forum* examine the underpinnings of these phenomena and what they portend for the future wellbeing of the people in the region.

The first article, by Luis F. López-Calva and Nora Lustig, charts the decline in income inequality that most countries in the region have experienced during the past decade and attributes it to a reduction in earnings inequality and increased public and private income transfers. Giovanni Andrea Cornia, Juan Carlos Gómez-Sabaini and Bruno Martorano focus on government revenues, outlining recent tax policy innovations, their effects on income inequality, and the politics surrounding the policies. Wendy Hunter and Natasha Borges Sugiyama focus on government expenditures, particularly conditional cash transfer (CCT) programs and their effects on decreased inequality. The authors underscore several strengths of CCT policies, but stress that benefits continue to be small, thereby inhibiting their redistributive effect. The final contribution, by Ken Roberts, analyzes how politics and party competition have encouraged the promotion of equity-enhancing social policies.

Overall, while inequalities remain high by comparative standards (the Gini coefficient in 2009 was .53 for Latin America while it was .30 for the European Union), the direction is positive and bodes well for the poor as well as the rich, for whom the externalities produced by high inequality and poverty can also reduce the quality of life. The challenge now is to build on the achievements of the past decade to foster a virtuous cycle of accountability, efficiency and equity. ■