



**Organization of
American States**

THEMATIC DEBATE ON "INEQUALITY" AT THE UNITED NATIONS

OPENING REMARKS BY H.E. JOSE MIGUEL INSULZA

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Your Excellency Vuk Jeremic President of the General Assembly of the United Nations;

- Your Excellency Ban Ki-Moon, Secretary General of the United Nations;

- Your Excellency Carolyn Rodrigues-Birkett, Minister of Foreign Affairs of Guyana;

- Ms. Alicia Barcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean,

- Distinguished representatives of the Inter-American Development Bank and the Agencies of the United Nations system

- Ambassadors and Permanent Representatives

- Dear Friends;

Let me begin by sincerely thanking the President of the UN General Assembly, Vuk Jeremic, for taking the initiative to convene this Thematic Debate. It is a very timely debate, which comes as many countries around the world have recently witnessed protest movements attributed to a widespread perception of inequality.

Although they have been caused by very diverse factors (unemployment, homelessness, the effects of the economic crisis, the demand for better education, protests over rampant crime, or even increased fares for public transport), these demonstrations have similar characteristics and feature new protagonists: they are mass movements, that bring together various actors, especially young people; they are not organized by political parties, trade unions or known social groups; and the majority of their protagonists do not come from the most excluded social sectors. Their common theme is the demand that, given the state of development of their countries, they are entitled to a more just distribution of income or social benefits from society and the state. What is behind these protests is the public demand for economic, political and social equality.

I come, as you know, from a part of the world which has one of the worst situations in this regard. Latin America has been able to substantially reduce poverty in recent years, with a sustained effort from its governments; but this important achievement has been accompanied by only a very marginal reduction in the gap between the lowest and highest incomes in society. Latin America maintains the most negative Gini coefficients in the world, while in North America inequality has also increased systematically in recent decades.

The paradox is that, if we project forward the figures from recent years, the hope of eventually eliminating poverty in most of the world seems within our reach, but this historic achievement is accompanied by an income gap between the richest and the poorest in society that will either stay the same or grow larger. And even worse, if we examine the figures more closely, we discover that traditional analysis masks a more

dramatic reality: the wealthiest 1% of the citizens of the planet has more than doubled its wealth in the last decade, all the time increasing their share of the national income of their countries. Recent studies show that 1% has come to control 39% of global output, and the wealthiest 10% to control 83%. At the same time, more than 2.7 billion people live on less than two dollars a day.

From this point of view, the term "middle class," which is increasingly used, hides a more complex economic truth and a more explosive social reality. A society in which a very significant number of citizens perceive that the wealthy have access to levels of consumption and services which they have no hope of reaching, is by definition an unstable society, especially at a time when mass media are diversifying to the extent they are today and in which we know more and more about how others live.

Although poverty has dropped to 30% of the population of Latin America, that figure is still high for a region with our level of development. Furthermore, indigenous people, afro descendants and those living in rural areas are overrepresented. Gender discrimination is also a significant factor. This shows that poverty and social exclusion disproportionately affects vulnerable populations, deepening inequality.

Levels of informal employment reach as high as 50% of the economically active population (EAP), and this affects women and young people in particular. Structural heterogeneity is increased as highly productive sectors represent a smaller percentage of formal employment, accentuating the persistent income gaps between more and less skilled labor and different labor sectors.

To all of this we must add inequality in the access to and quality of basic social services. That inequality is not just a matter of distribution: today there are great differences in the quality of education, access to health care, housing quality and even in public security, which is a social service that is increasingly in demand: the number of private security guards in many countries is greater than that of police and state authorities.

Only 46% of the employed population has social security, and among the poorest quintile that number is close to 20%, while among wealthier sectors it reaches 58%. 36% of Latin American households do not have any social protection, even "non-contributory".

Within the region, there are educational gaps in several levels of education and stratification in the quality of supply. Just 24% of young people in the poorest quintile finish high school, while in the wealthiest quintile the figure is 83%; and there is also a degree of inheritance of educational capital. In addition, more than 250 million people in the Americas lack health insurance.

From all of the above, it is worth noting the important link between inequality and the governability of our countries. In reviewing recent reports, it is worrying to note the negative perceptions of the public about distributive justice in their countries. According to the Economic Commission for Latin America and the Caribbean (ECLAC) of the United Nations -which is, incidentally, the essential source of information on these issues-, "in 2011, 79% of the population of the region believed that the distribution of income in their country was unfair or very unfair." The perception of distributive injustice and lack of trust in government have grown in the last decade.

This -I'm quoting ECLAC- seems to indicate "the persistence of deep citizen dissatisfaction with the way in which institutions work and how economic, social, and political goods are distributed. In turn, the association between the objectively measured inequality and the dissatisfaction with these institutions also indicates the conflictual character of the prevailing high levels of concentration of wealth and social differentiation in Latin American societies."

When explaining the causes of rising inequality, it is usual to attribute the phenomenon to "positive" factors of economic growth: there is a much greater demand for and higher salaries paid to skilled professionals, the reward for talent, risk and innovation, the road to global competitiveness provided by greater access to markets, etc. All this may be true, but we must also consider that, in most parts of the world, there is no real

equality of opportunity, but rather a transfer of advantageous positions through family and group affiliation, which means that the best explanation for wealth is either coming from a wealthy family, or at least a well off family or one able to provide a good education. Social mobility in the region is much lesser than in many countries, limited precisely because of the factors of quality of and access to education that are the basis of inequality.

But even if one accepts that inequality is caused by changing market conditions, it is clear that we will not find solutions in the market to address it. The sustained increase in inequality has occurred over the last four decades, when some began to proclaim that "the state is part of the problem, not the solution." To give an example, in 1970, 1% of North Americans earned 9% of the national income, while the figure was 23.5% in 2007. We don't have to subscribe to the discourse of anti-neoliberalism in order to conclude that the free market does not distribute fairly and therefore it is essential to have adequate public policies.

The problem is not a simple one to solve, because as we have seen, greater equality does not come as a result of economic growth. As Larry Summers has recently shown, it is not that the middle classes remain stagnant as their economies grow, on the contrary, they also grow, but do so at a slower pace (actually much slower) than higher-income sectors. As a result, the gap continues to grow, although living conditions improve for everyone. And it is difficult to create, in a market economy, a situation in which low-income sectors increase their earnings more quickly than those who control the production process and have the most competitive jobs.

To achieve a reduction in inequality, therefore, requires public policies that reduce inequality of opportunity, instead increasing social mobility through better education and health care, equal access to credit as well as housing, transportation and public safety services.

It is important to remember however that the process of increasing inequality - as mentioned earlier - began in a sustained way more than forty years ago, when a systematic reduction of taxes on the wealthy began, ostensibly to raise rates of investment; along with anti-union and anti-collective bargaining policies, which were aimed at increasing competitiveness by reducing the cost of labor.

The challenge of achieving a fairer distribution lies in the formulation of public policies that include a set of effective social policies and also reexamine labor and tax adjustments, consistent with economic growth, but defending the interests of the most vulnerable.

The development of these policies today faces also an additional obstacle, which complicates the task of the experts who we will hear today. That obstacle is the loss of confidence in the institutions that affects many of our countries, which makes it difficult to undertake changes that involve an increase in resources to finance public policies and strengthen institutions. Regaining that trust by undertaking a deep reform of our institutions is the great challenge of the political class in our Hemisphere and of nearly the entire world.