

**Forum:** Economic and Social Council

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**Student Officer:** Daniele Carlesso

**Position:** Chair of the Economic and Social Council

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## Introduction

The division of people within a country has become more noticeable over the past years; the distinction between the most wealthy people in the country and the least wealthy people in the country is measured by the *gini coefficient*. The gini coefficient is a measure of inequality in distribution of income within the borders and limits of a country. It is calculated by gathering the cumulative income of all the people in a country and then distinguishing where the highest are located or to whom they belong. The gini coefficient the closer it is to zero the higher the equality there is going to be in the country, and the far away it is from zero the higher the inequality there is in the country. This has become one of the greatest fears of every economy and political body such as the Economy Minister of the government in a country. A high gini coefficient will make the wealthy more wealthy and the least wealthy will become even less wealthy. Jobs, opportunities, services, goods, all of this essential materials for living will be taken by the wealthy and the highly powered people. The companies also have a deep involvement in the distinction of citizens. They will use their connections and power to achieve their goal. This action will leave many people without the opportunity of performing a job or having a change in their life. The distinction between the social classes is a major problem seen worldwide all across the countries in the different continents, but in Latin America this distinction is more remarkable. According to the World Bank Data countries in Europe such as Sweden and Switzerland have a gini coefficient of 27.3 and 31.6 respectively. While countries in Latin America such as Panama and Paraguay have a gini coefficient of 51.9 and 48.2 respectively. These statistics show how due to the

distribution of resources there is a higher inequality in Latin America than in other continents such as for example in Europe. In Brazil, for example in Rio de Janeiro; the country is divided into two sectors. The first and main sector is the residential area in which most of the income is created. The second sector will be the Favelas which due to their locations in the country the resources such as water, light, gas, etc.. are not easily found by the local people. The division of Rio in this sectors has influenced in the inequality since all citizens do not have the same opportunities due to the lack of resources. In most Latin American countries the gini coefficient or the rate of inequality in 2000 was lower than in 2010. (The Economist) This statistics shows that across the years the wealthy people are becoming wealthier. This increase in the Gini Coefficient also shows that there is an unequal division between the opportunities and resources in the country. All across the years many people have not been able to have a worthy life due to this distinction created by the abuse of power that some firms and companies exert on the people, taking away the resources and the opportunities.

The income inequality seen in Latin American countries has affected the quality of life of citizens and negatively impacted the countries. Latin American Citizens have been suffering the consequences of the inequality in the countries. Many citizens in the country do not have enough income in order to afford all the basic goods needed for living. The lack of goods seen by the people belittles their quality of life since citizens will not be able to afford and have all the products to cover the basic needs that all the citizens and human been have in their daily life.

Even though there is highly negative consequences of having income inequality there is still people unwilling to change this situation. Income inequality not only means that there is a problem in the country, it also shows that there is economic growth, that there is people whose income is increasing and they are becoming more wealthy. This citizens whose income is increasing will be against a change in the structure of society because it will generate a change in the amount of income that they are making. This has been a topic of debate over the past years since the powerful and big companies have done everything that is within their power in order to maintain this arrangement with the purpose of maintaining the increment on their income.

## Definition of Key Terms

### **Gini coefficient:**

Statistical measure of the degree variation in the economic income of citizens in a country showing the inequality of the country and the difference between the social classes of citizens in the country.

### **Depreciation of coin:**

Depreciation of the coin occurs when the money loses its value and now the goods will be cost more than what they cost before.

### **Sales Price:**

Sales price is the amount that customers and citizens need to pay in order to acquire a good at a store.

### **Public Good:**

It is a good that can be consumed by one individual without reducing its availability to another consumer.

## General Overview

Even though there have been a lot of government involvement in this topic there is still a great distinction between citizens of a country. The major aspects when speaking of economic inequality include government intervention, a country use of imports and exports, and the importance of education.

## Government Involvement

In many of the affected countries in Latin America by the great increasement on the inequality and distinction between classes there have been a great and deep government involvement in such problem in order to diminish it and help the people have a greater quality

of life and one worthy of. Governments are finding solutions for this problem, one of them is to improve the taxing system of the country. Poorly designed tax systems, tax evasion, and tax avoidance have costed countries in Latin America billions of dollars which could be invested in the creation of resources in order to diminish poverty and with it inequality. One way governments are targeting this issue in the country is with the taxation system. The taxes being charged to the people are going to be used for developing and improving the public goods such as education, health systems, transport, and infrastructure. The improvement on this goods will give all the citizens a high quality of life since better education will provide the citizens with a higher preparation for the future and future jobs which will allow them to increase their life quality. All of this improvements will have a positive and remarkable impact in the country, having a well and improved health system will not only maintain people healthier but it will give them the chance of performing higher skilled jobs since their optimal, physical and mental condition will allow them to perform the job at a higher level, increasing their importance and position on the company which will have a positive and remarkable impact on their lives. Governments have been deeply involved in this issue and making sure that all people are paying all of their taxes in order to improve the quality of life of all the people in the country.

### **Exports and imports:**

The exports and imports in the different Latin American countries have had a great impact in the income inequality being faced by the Latin American citizens. Trade integration and globalization have been to blame for the increment in the income inequality on the countries and their citizens. For example, Argentina is one of the nations which resources come mostly from imports made in the country. In 2015 Paraguay imported a total of \$54,035,533.56 into the country worth of goods. Paraguay on the same year also exported a total of \$35,690,766.59. (WITS) As seen in this statistics we can see how Paraguay ended up with a negative trade balance of 18,344,767.60 this means that most of their goods and products which they consume in the country come from foreign companies and firms. This has affected the stability of the citizens since now they are not even given the chance of producing and selling their product, the priority has gone to foreign goods. The foreign goods are more expensive than the locally produced goods, therefore not everybody is able to buy

the products. Also there is a highly amount of goods which are privately imported meaning that they are not imported by companies not by government. This has an impact in the inequality since more companies are becoming richer from importing this goods but they are taking away the space and the opportunity for local manufactures to produce their products. For example the private car importers here in Panama, this are people who buy cars in the foreign countries and sell them here in Panama at a lower price. This influences the inequality in the country since customers will buy them instead of the locally assembled cars which decreases their opportunities in producing and generating an income and revenue. There should be a balance between the imports into the country and the amount of locally produced goods in a country. Maintaining a balance will ensure a chance and opportunity for all local and foreign companies to sell the goods on the country.

Even though there is high dislike towards the imports in a country they are still needed and useful to the country. According to the (World Industrial Reporters) imports are of good benefit because usually the products are made of high quality and proved to be resistant. This will ensure the best quality for the citizens and customers. Also some materials and parts used in local assembler are imported from foreign countries in order to assure that the product will be of high quality and will work up to its maximum capacity. For example the new expansion of the Panama Canal doors. These four enormous sluice gates were imported from Italy into Panama. This was made in order to have the expertise of the italian architects and their developed technology which has not arrived to Latin America yet. This way there is a higher chance that the canal will be working for a longer time and at its maximum capacity. Importing goods to the country can affect the people and the local economy but at the same time it is beneficial since it provides a high and long lasting quality.

### **Education:**

Education has also had an influence in the inequality seen in the countries in Latin America. There is a remarkable difference seen between the public education system and in the private education. In Latin America there is a high percentage of children who are not receiving a worthy or high quality education. As a result from this many Latin American citizens are entering the labor force without the necessary skills needed for producing,

working, and participate in highly competitive working environment. (World Fund) As shown in this article education plays a big role in the inequality of citizens in a country since low education systems will not prepare the children enough for the future and the work that the companies and enterprises will require them to do. The lack of quality on the education system will not provide the citizens many opportunities for working and variety of choices.

### **Technology:**

Technology is a main factor that has lead to structural unemployment and therefore inequality in the countries. Structural unemployment is when the roles or positions of the workers in a company are not needed any more or are done by another factor or person. In this case with the new advances in technology such as the dipper's assembler machines in the Procter and Gamble plants have taken the jobs of many citizens across the countries. Brazil is one of the Latin American countries in which Procter has established a production plant. The change from humans to machines has increased the amount of unemployment since those workers jobs are now replaced by machines that work faster and do not have the risk of committing a mistake. This increase in unemployment will lead to inequality in the country since now the citizens will not be generating an income unabling them to buy the necessary goods.

### **Major Parties Involved:**

#### **Argentina**

Argentina has a high involvement in the issue of inequality and high gini coefficient. With a gini coefficient of 42.7 Argentina is considered to be an unequal country. “Regardless all the efforts made in order to decrease the gap and reduce the gini coefficient there is still the top one percent richest people in the country who carry out the people and control the economy.” (The Economist.) The government, through untiring efforts such as bettering and increasing the quality of public education have been trying to bring this number down; but the big companies still have the power in the country on the areas of production making it difficult for the other independent citizens to participate on the production of goods and services. This lack of participation decreases the chances of the citizens of producing a high

and stable income affecting their ability to succeed in the country.

### Venezuela

In the country of Venezuela with a gini coefficient of 46.94 there is also a great difference between the most wealthy and the least wealthy citizens in the country. The recent economic crisis has had an impact in the country and affected its stability and equality. Citizens are not having a worthy life and they are suffering all the consequences arising from the crisis and non well developed governmental actions. In the country there are people with an excessive great amount of money due to the external incomes that they have from businesses in other countries. While there are many people living in inadequately conditions due to the cost of the goods and the lack of opportunities. The gini coefficient is a major aspect in the economic and political crisis of the country. Despite efforts made by the government such as subsidizing basic goods like articles for personal hygiene and basic dietary products there is still a high inequality in the country. With the years the government has increased the amount and value of subsidies with the purpose of making them more affordable by the citizens. This has helped in the stability and equality but due to the depreciation of the coin, importing the goods costs more to the country increasing its sale price which makes it more difficult for the citizens to afford them in the store. This effect in the goods has increased the inequality in the country.

### Peru:

Peru is a country which relies mostly on their imports and exports. Even though they have great sources of income into the country there is still a lot of inequality in the country and there are also many citizens suffering from this crisis. According to the (Peru Support Group) poverty in rural areas remains at high levels and it even reaches up to a 60% in some regions. This shows how in the interior of the country there is no sufficient resources for the citizens to use in order to have a high quality life and one worthy of.

### Mexico:

The country of Mexico has a great provision of goods which come and are grown inside the country. Even though the majority of the resources are grown in the country and

there is no need to spend money to import goods there is also a lot of inequality and there is also a great distinction between the social classes. All of this is cause since there are a few group of people which cultivate all the goods and resources living just a few for the other people. There are many people which are unable to grow resources and goods causing them not to have a high quality of life.

### United States:

In the United States the United Nations and many other organizations are trying and they are doing everything that is at their rich in order to help all of this people. The United Nations are sending their delegates and they are analysing all of the numbers in order to figure out ways to stop this crisis from continuing and to be able to help all the people to have a high quality of life.

### Timeline of Events:

Date	Event
<b>March, 1990</b>	46% of the population in Latin America lived in poverty, governments started looking at all this and they have figured out that inequality is becoming a great problem for many countries.
<b>July, 1992</b>	The governmental policies have been looked and analyzed in order to figure out what is wrong with them and what areas are they not covering completely or taking into consideration.
<b>October, 1995</b>	Latin American countries leaders have gathered together and started their analysis on the situation of their countries and the inequality seen in them.
<b>April, 2000</b>	New studies have been made stating that the poorest quintile have increased their income by 73% there is still a long way to equality but it is a start.
<b>July, 2002</b>	The Carter Center began its work on bettering the equality in the country of Venezuela. They found a society in Venezuela deeply divided and propense on becoming highly violent.
<b>October, 2006</b>	United States of America spend around \$1.4 billion in help and resources for sending to countries in Latin America specially Venezuela in order to help decrease the inequality and help everybody have a better life and one more stable.



- September, 2013** Leaders of Latin American countries have created an assembly in order to address the great problem for the inequality in the Latin American countries.
- June 10, 2015** UN implemented measures against inequality. They have began and continued to execute their plans and objectives in order to reduce poverty.

### **UN Involvement:**

The United Nations has been working closely with the representative and delegates of the countries in Latin America, in order to figure out ways to reduce poverty and inequality in such countries. These advances and desire come from times behind. On November 3 of 2015 United Nation officials went to Peru for a conference in order to look at the data of all the countries in Latin America and the Caribbean and look at all the conditions of the countries and the social services in order to analyze what can they do to reduce the poverty and the inequality in the countries. (UN News) During the course of the years and after tremendous efforts made by the government of each country combined with the United Nation there was a lot of progress being made. An estimate of around 92 million people were added to a new emerging middle class between the years of 2003 and 2013. (UN News) Some of the strategies that the United Nations have followed in order to reduce the inequality and poverty of the country where income transfer for immediate relief of basic needs, public access to quality service and labour, and productive inclusive. (UN News) All of these strategies have been contributing to the creation of a more equally income distributed country. For example giving the people direct access to high quality public goods such as education and health care will increase their quality of life and will help them follow a healthier life. With a better education all the people are going to be able to achieve higher positions and higher jobs when they grow up. Having a very good public education will help the children be more prepare and be ready for the future which will increase their contribution to the society. Having a good education system and many social policies that will allow people to be able to afford all goods and services.

The United Nations through the years has created a vast amount of resolutions with

the purpose of decreasing the inequality seen in the countries. According to the United Nation's website "Despite the robust economic growth seen in the past years the income inequality between the citizens have not decreased ". With this said many delegates and many organizations have ensemble parameters in order to figure out what is triggering the income inequality in the country. For example in 2015 one of the motives that caused inequality was the discrimination due to the person's ethnicity. The studies made by the United Nation have revealed that less opportunities are offered to colored people contributing to the income inequality seen in Latin America. With this being discovered now the countries have a more narrowed path and can address a specific cause of the income inequality seen in the country.

### **Evaluation of Previous Attempts to Resolve the Issue:**

Governments of the countries and many NGOs have been working and ideating plans in order to find ways to diminish the inequality that is seen in their home countries. One previous solution that was created targeting this issue was to try and improve the business environment. (The Guardian) Improving the distribution of the companies and the creation of policies stating their requirements of purchasing local goods could be one possible way in which the inequality in the country could be resolved. Having a new business environment will distribute all the companies and the amount of resources which they are able to have and able to buy. Forcing firms to buy less resources will give a higher opportunity to the small and local firms to produce and sell their goods in the market. With this policy the transnational companies will be forced to buy their materials and resources from local producers instead of foreign ones this way local firms will be able to have an opportunity to survive in the market and to sell their goods and provide their services. This possible solution seem very good and it appeared it was going to be working very good but there was a big problem when it was tried to put in motion. When the governments of the countries tried to re-establish the environment and the amount of resources people could buy they weren't able to maintain it that way because many big firms then bought again the portions of the small local firms from them since they offered a lot of money or some of them also used their connections with the government and with many agencies in order to keep all of their resources and evade the new rule imposed. Due to all the ways that the companies were

seeking to evade this rule the governments were forced to take it out and leave the situation they way it was. Even though all the governments had the best intentions on helping their citizens when creating this rule, they were forced to abandon on the plan due to the amount of shortcuts the companies manage to take in order to avoid following the rule and be therefore not following the rule of having limited resources in order to give an opportunity to the other local firms

### **Possible Solution:**

There are some possible solutions and ideas which have been discussed that can help on solving this problem and diminishing the inequality of the countries in Latin America. The first possible solution that can be implemented is to strengthen the public goods in the country. Education and social health is a major issue when coming to income and social inequality. A possible solution for fixing the inequality of the country will be to better the education system in the country and to ensure to all the citizens in the country a good education and a good health. These are possible solutions since a good education will provide the citizens skills that they will be able to use for any job. There is a positive correlation between the people that receive an education and the job interviews they receive and get. A good and stable public health department will also decrease the inequality because it will maintain all the citizens in good and stable conditions for working. This will increase their chances of finding a job since they will be able to perform all the tasks required in the company. If the government maintains a good social and health service all of the citizens will be able to maintain a stable and exceptional body health which will allow to perform better the jobs and therefore increase their chance of getting a job and occupying a high position. Social health and public school are two main systems in the countries which can help on maintaining a good social equality due to the many opportunities that they provide to the citizens.

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