



Equality as the foundation of development

- For almost a decade, ECLAC has positioned equality as the foundation of development, that is, as an irreducible ethical principle based on rights.
- The international community recognized this principle when it included equality among the central dimensions of the 2030 Agenda and the Sustainable Development Goals.
- In addition to its intrinsic value, equality is instrumental in driving sustainable development, by contributing to innovation, productivity growth and environmental protection.



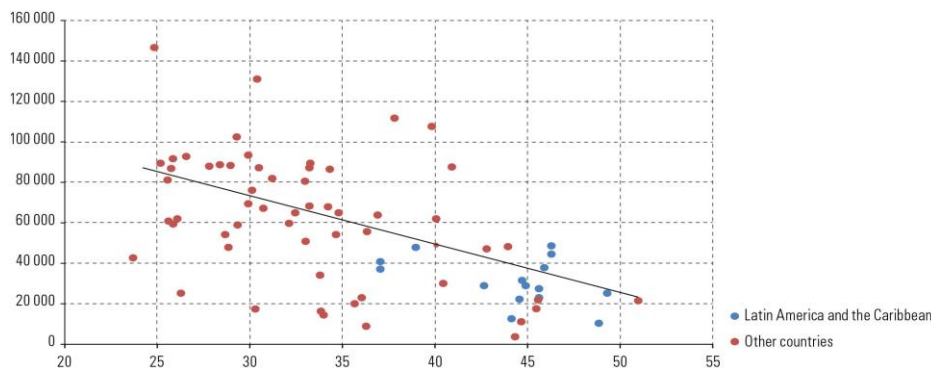
Equality as a tool for development

- New economic theory approaches are converging: experts no longer talk about the “big trade-off” between equality and efficiency.
- Equality is not only the outcome of an economic system, but also an explanatory variable of its long-term efficiency.
- Equality, productivity and democracy are strategic complementary (not substitute) goods, all the more so in a world subject to strong economic, political and environmental tensions.
- Economies that are at the sustainable development frontier today combine these goods to a large extent.



Inverse correlation between productivity and inequality (as opposed to the “big trade-off”)

Productivity and Gini index, 2014
(Purchasing power parity (PPP) 2011 dollars and percentages)



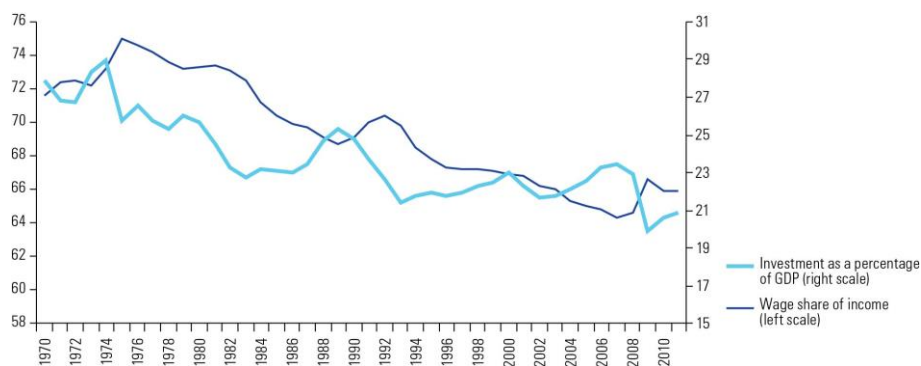
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of University of Groningen, Penn World Table [online database] <https://www.rug.nl/ggdc/productivity/pwt/>, and Harvard University, Standardized World Income Inequality Database (SWIID) [online database] <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.21203/3.11992>.

Note: The Gini index is expressed in percentage terms. Productivity is expressed in output per employee in 2011 PPP dollars.



Positive correlation between equality and investment: greater inequality compromises future productivity

Selected developed countries: wage share of income and investment rate, 1970-2010^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Organization for Economic Cooperation and Development (OECD) and the World Bank.

^a Canada, France, Germany, Italy, Japan, Spain, United Kingdom and United States.



Why is equality efficient? Reasons for the strategic complementarity between equality and efficiency

- Equality generates inclusive institutions and a culture that rewards the innovation and effort —not the social class, ethnicity, gender or political connections— of economic actors.
- Equality of access to capacities and opportunities becomes especially important in a context in which the technological revolution demands greater education (especially at crucial stages of the life cycle), coordination and cooperation among actors to absorb new technologies and build new sectors.
- Equality strengthens democracies, which provide the public goods and positive externalities required for technological change, economic and political stability and environmental stewardship.
- In the global economy, equality helps to expand aggregate demand, avoid recessionary bias and reduce the intensity of internal and external conflicts by promoting development.



Inequality generates a culture of privilege that restricts access and opportunities and distorts public policies

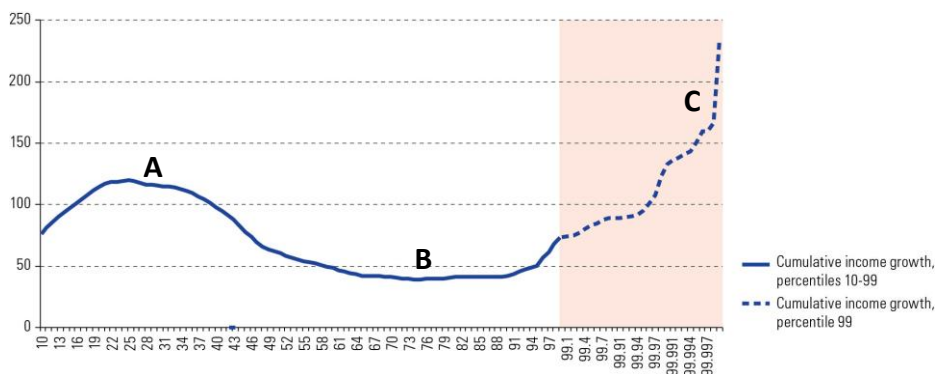
Three hallmarks of the culture of privilege:

- Differences become embedded as inequalities and perceived as something natural by individuals —both those in a position of privilege and those who are subordinate.
- Hierarchies are established to benefit those in power at a given time (by reason of class or bloodlines, racial identity, gender, place of birth, culture or a combination thereof), which creates a heavy inertia of power and inequality.
- The culture of privilege spreads through actors, institutions, rules and practices, leading inexorably to asymmetries in numerous spheres. Thus, the way policies are designed or applied becomes biased, distorted and inefficient (for example, in the tax system, public safety, education, health and infrastructure).



The winter of discontent: the current form of globalization has created winners and losers

Real income growth per adult by income percentile in the global distribution, 1980-2016
(Percentages)

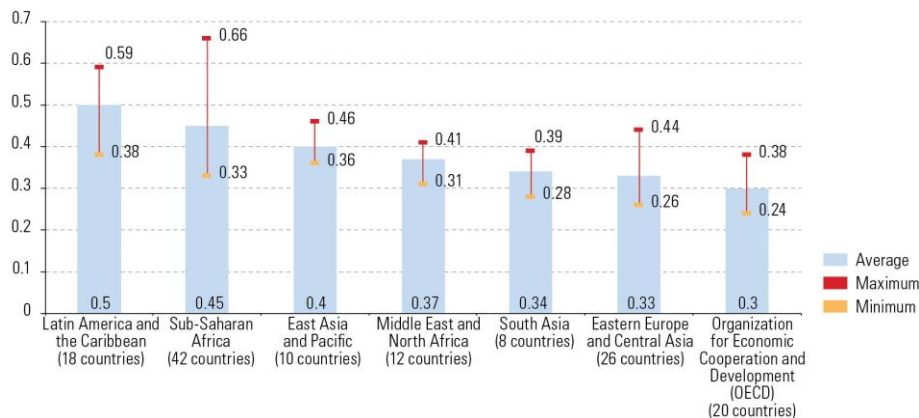


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of F. Alvaredo and others, *World Inequality Report 2018*, World Inequality Lab, 2018 [online] <http://wir2018.wid.world/files/download/wir2018-full-report-english.pdf>.



Despite recent progress, Latin America continues to be the most unequal region in the world

Gini coefficient, around 2012^a



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of CEPALSTAT [online database] <http://estadisticas.cepal.org/cepalstat/portada.html?idioma=english>; Organization of Economic Cooperation and Development (OECD), OECDSTAT Database [online] <http://stats.oecd.org/>; World Bank, World Development Indicators [online database] <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>.
^a Regional data correspond to simple averages. Calculations include the latest available observations for each country corresponding to 2002-2012.

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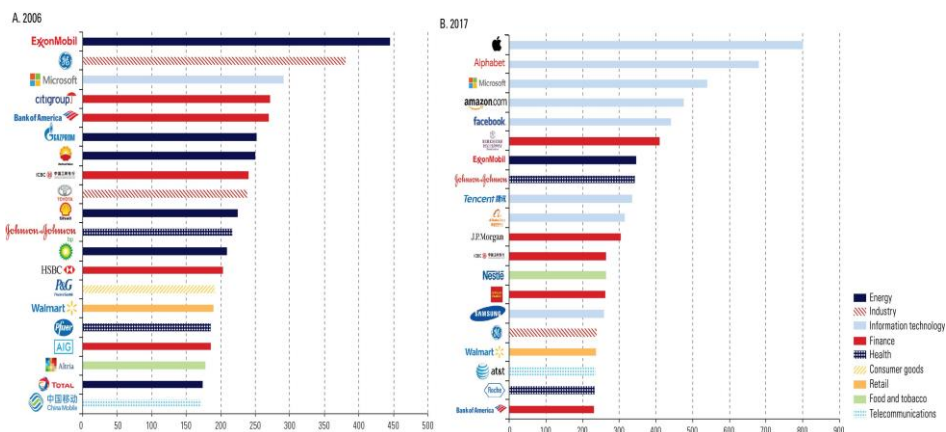
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The technological revolution is redefining sectors and leading global companies and increasing the need for the region to redouble its technology efforts

Market value of the largest global companies, 2006 and 2017
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg (date of reference: March 2017).

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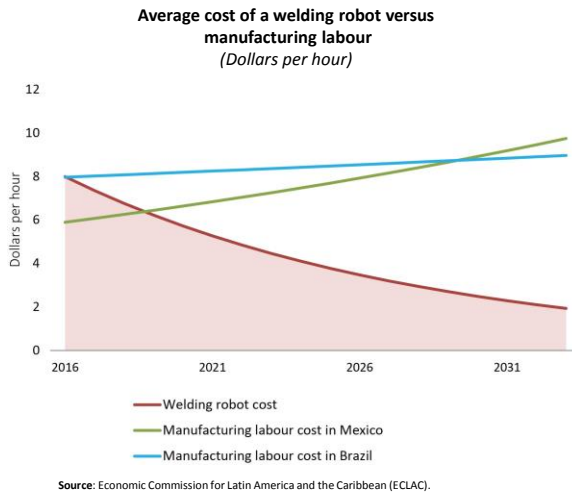
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The technological revolution (robotics and artificial intelligence) is adding uncertainty to the future of work



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Financialization and growing fragility: it is harder to invest amid uncertainty and instability



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Mulligan "A sectoral analysis of the financial instability hypothesis", The Quarterly Review of Economics and Finance, vol. 53, No. 4, Amsterdam, Elsevier, 2013; E. Torres Filho, N. Martins and C. Miaguti, "Minsky's financial fragility: an empirical analysis of electricity distribution companies in Brazil (2007-15)", Working Paper, No. 896, Annandale-on-Hudson, Levy Economics Institute, 2017.

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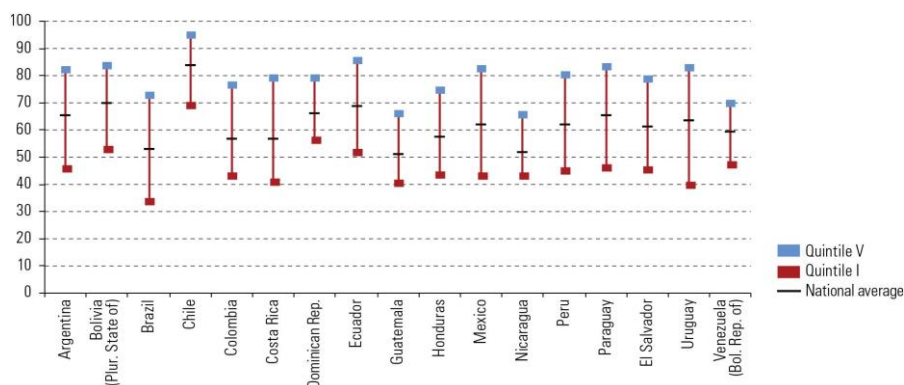
ACCESS TO CAPACITIES AND EQUALITY OF OPPORTUNITIES: DIRECT EFFECTS OF INEQUALITY ON EFFICIENCY

- **BARRIERS TO EDUCATION THAT ARE PASSED ON FROM ONE GENERATION TO THE NEXT**
- **BARRIERS IN ACCESS TO HEALTH CARE THAT REDUCE PRODUCTIVITY AND LIFE EXPECTANCY**
- **BARRIERS OF DISCRIMINATION BASED ON ETHNICITY, RACE, GENDER OR CLASS**
- **INEQUALITIES WITH RESPECT TO TAX ISSUES: TAX EVASION AND AVOIDANCE**



The barrier to education for the poorest population segments is a barrier to efficiency

LATIN AMERICA (17 COUNTRIES): COMPLETION OF THE FIRST CYCLE OF SECONDARY EDUCATION, PEOPLE OVER THE AGE OF 18, BY INCOME QUINTILE, AROUND 2016
(Percentages)

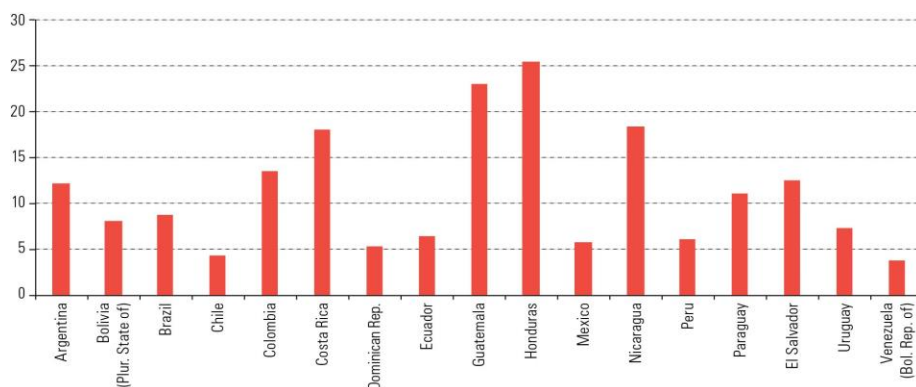


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of tabulations of data from household surveys of the respective countries.



The cost of not having access to education

Latin America (17 countries): increase in household income if completion of the first cycle of secondary education were universal, around 2016
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of household surveys from the respective countries.



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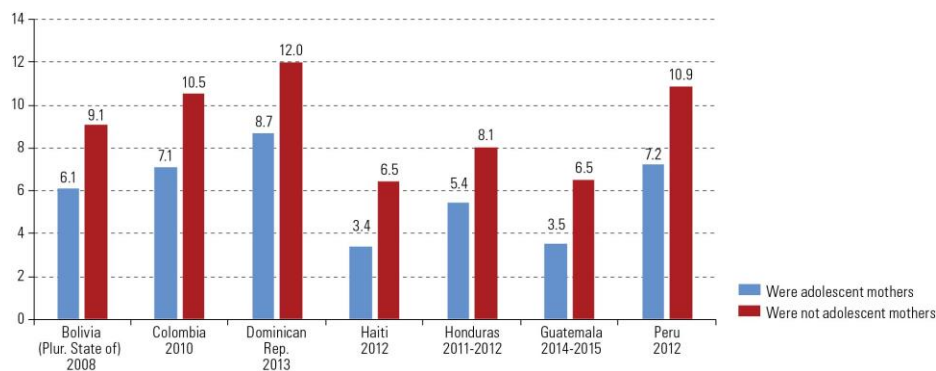
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Adolescent motherhood also perpetuates social inequalities because it affects the level of education young mothers achieve and their present and future possibilities of access to higher productivity jobs

Latin America (7 countries): average years' education of women aged 25 to 35 who did and did not become mothers in adolescence, 2008-2015
(Years)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of demographic and health surveys from the countries and years shown.



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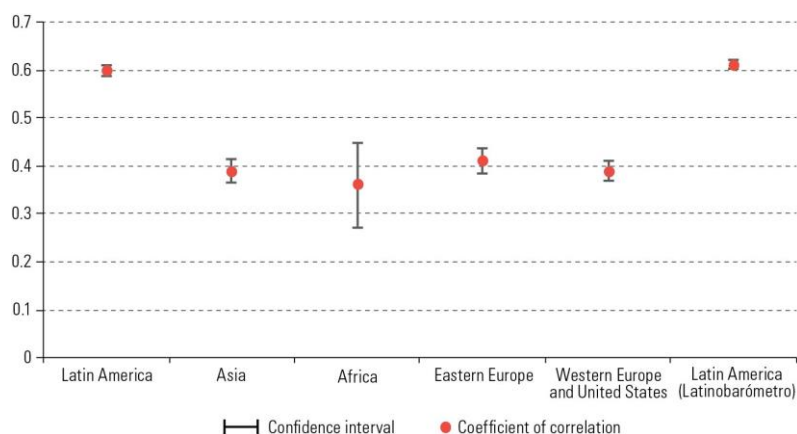
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A barrier that is passed down the generations: the system does not level out opportunities

Educational mobility between generations

Coefficient of correlation between parents' and children's education, by region, around 2008



Source: Daude and Robano (2015). All regional estimates, except Latin America based on Latinobarómetro, come from Hertz (2007).



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Total cost of the double burden of malnutrition in 2014

The total costs of the double burden amounted to US \$493 million in Chile, US \$4,344 million in Ecuador and US \$28,830 million in Mexico, representing 0.2%, 4.3% and 2.3% of GDP, respectively.

Chile, Ecuador and Mexico: Cost of the double burden of malnutrition, 2014
(Millions of dollars at current prices and percentages)

	Chile	Ecuador	Mexico
Cost on health	385	1 666	7 338
Cost on education	-	27	151
Cost on productivity	108	2 651	21 341
Total	493	4 344	28 830
% of GDP	0.2%	4.3%	2.3%

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and World Food Programme (WFP), *El costo de la doble carga de la malnutrición: impacto social y económico*, Santiago, 2017.



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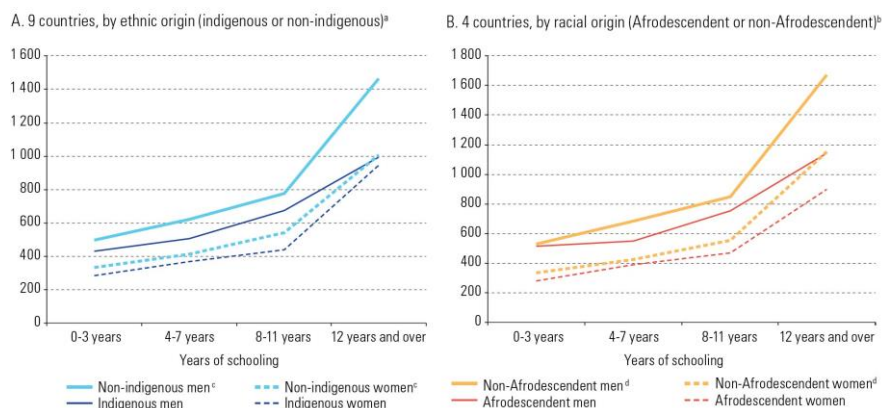
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Discrimination based on ethnic or racial identity

Latin America (selected countries): average monthly labour income among employed persons aged 15 and over, by sex, race or ethnicity and years of schooling, national totals, around 2015
(Purchasing power parity dollars at constant 2010 prices)



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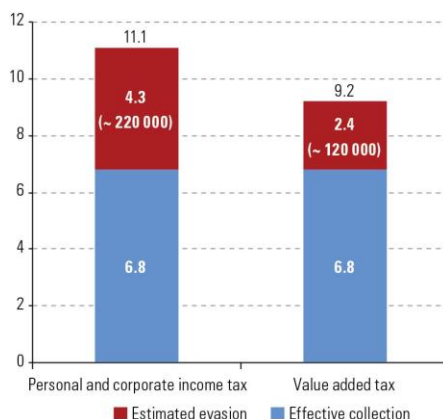
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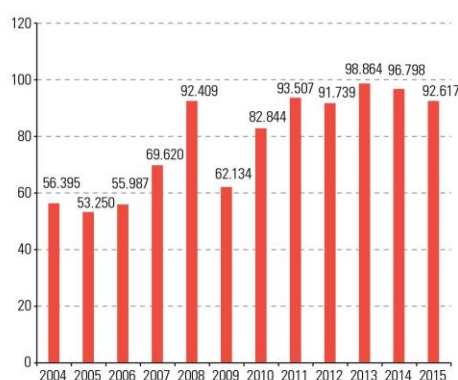


Tax evasion constrains the possibilities of producing public goods and stimulating public investment

Latin America and the Caribbean: tax collection and estimated tax evasion, 2015
(Percentages of GDP and billions of dollars)



Latin America and the Caribbean: estimated value of trade misinvoicing, 2004-2015
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).



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INEQUALITIES THAT SEGREGATE AND DAMAGE: TERRITORIAL AND ENVIRONMENTAL INEQUALITIES

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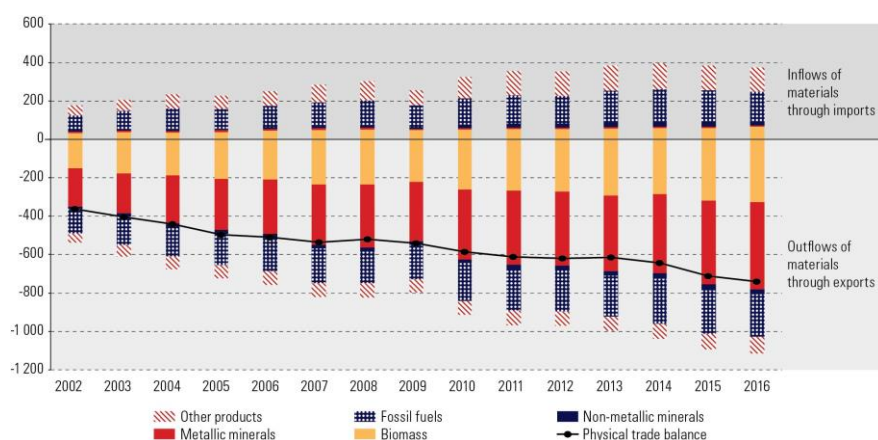
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A model based on natural-resource extraction

South America (9 countries): exports, imports and physical trade balance, 2002-2016^a
(Millions of tons)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations International Trade Statistics Database (UN Comtrade).
^a The countries analysed are Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

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The region's infrastructure is designed for exporting



Aluminio Cobre Hierro Níquel Oro Platino Zinc Carbón Hidrocarburos Carreteras

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Panorama del Desarrollo Territorial en América Latina y el Caribe, 2015* (LC/W.671), Santiago, 2015.
Note: The boundaries and names shown on this map do not imply official endorsement or acceptance by the United Nations.

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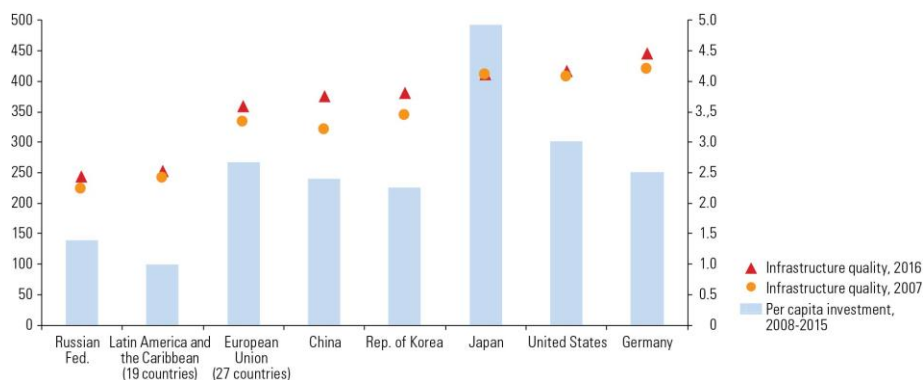
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The lag in infrastructure investment carries a competitiveness cost for the region

Per capita investment in transport infrastructure: roads and railways, 2008-2015

(Per capita investment in dollars (left scale) and infrastructure quality component in the logistics performance index (right scale))



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Economic Infrastructure Investment Data (INFRALATAM) [online] <http://infralatam.info/>; Organization for Economic Cooperation and Development (OECD) and World Bank.

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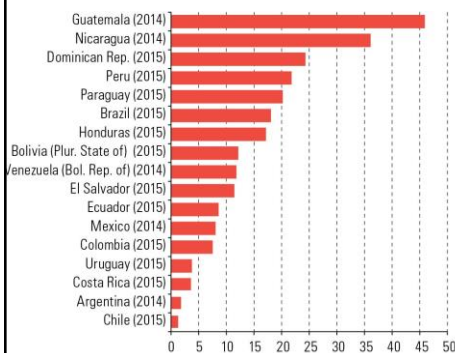
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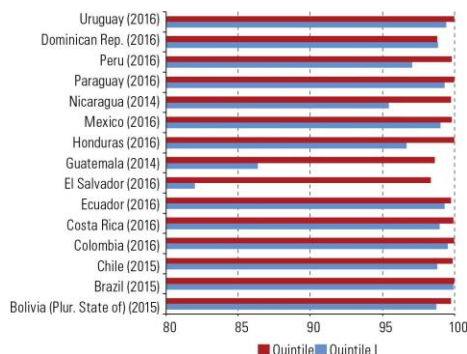


Segregation denies the right to the city: gaps in access to basic urban electric power and sanitation infrastructure

Latin America and the Caribbean (17 countries): differences in sanitation coverage between urban households in the highest and lowest income quintiles
(Percentage points)



Latin America and the Caribbean (15 countries): access to electric power among urban households in the highest and lowest income quintiles
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).



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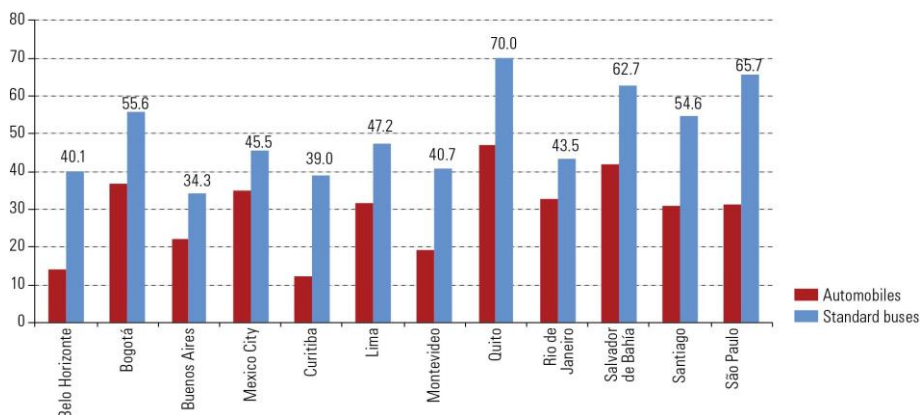
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The cost of segregation: travel time in large Latin American cities

Latin America (12 metropolitan areas): travel time in private cars and buses, 2014
(Minutes per journey)



Source: Development Bank of Latin America (CAF), "Observatorio de Movilidad Urbana", 2016 [online] <https://www.caf.com/es/temas/o/observatorio-de-movilidad-urbana/>.



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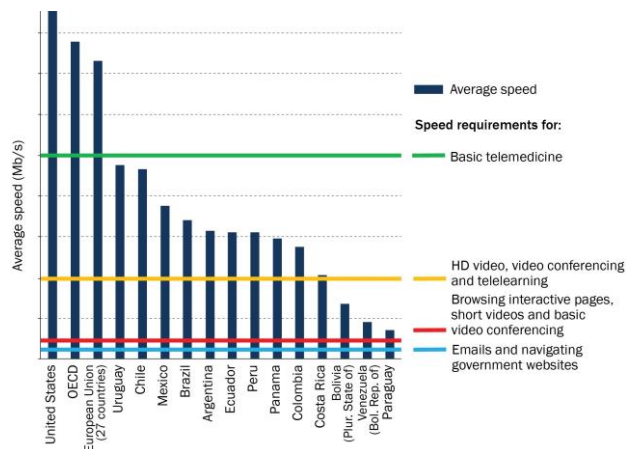
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Gaps in the infrastructure needed to respond to the technological revolution

Internet connection speeds, fourth quarter of 2016
(Megabits per second (Mb/s))



Source: Commission for Latin America and the Caribbean (ECLAC), Regional Broadband Observatory (ORBA), on the basis of Akamai Technologies, Akamai's State of the Internet. Q1 2016 Report, vol. 9, No.1, Cambridge, June 2016.

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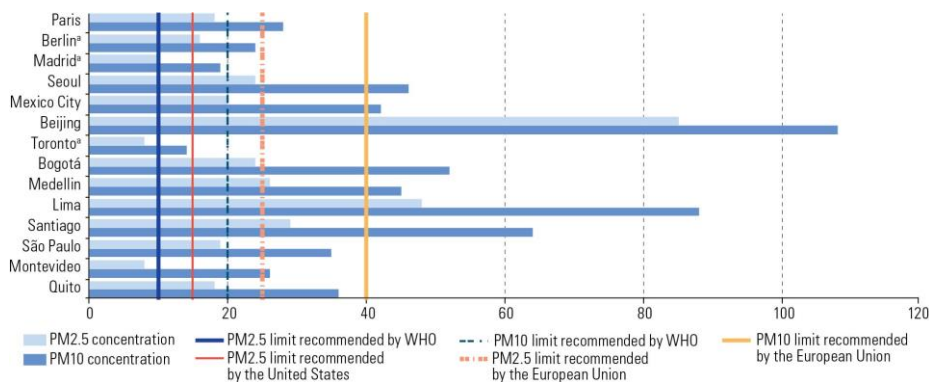
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There are up to 93,000 deaths from cardiopulmonary diseases, 13,000 deaths from lung cancer and 560,000 disability-adjusted life years lost, due to air pollution

14 SELECTED CITIES: CONCENTRATION OF COARSE PARTICULATE MATERIAL (PM10) AND FINE PARTICULATE MATERIAL (PM2.5), 2014
($\mu\text{g}/\text{m}^3$)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Health Organization (WHO), "Global Urban Ambient Air Pollution Database" 2016 [online database] http://www.who.int/phe/health_topics/outdoorair/databases/cities/en/.

* Mean annual concentration in 2013.

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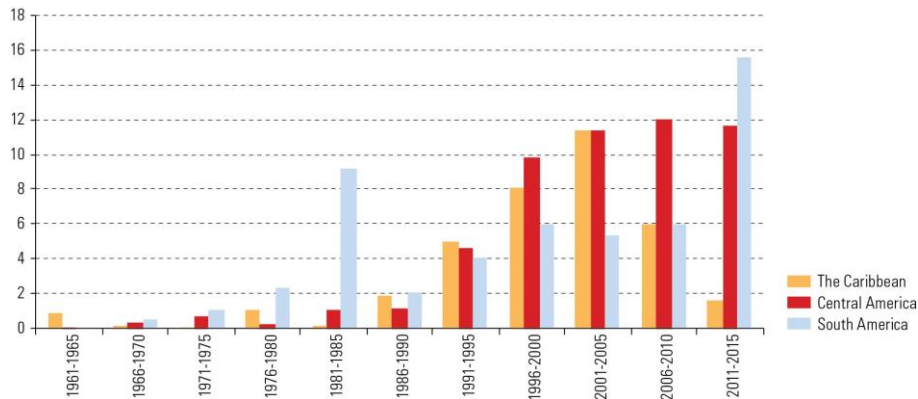
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The effects of climate change increase the number and cost of extreme weather events in Latin America and the Caribbean

Latin America and the Caribbean: cost of extreme weather events, 1961-2015
(Billions of current dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Disaster Database (EM-DAT), 2016 [online] <http://www.emdat.be/>.



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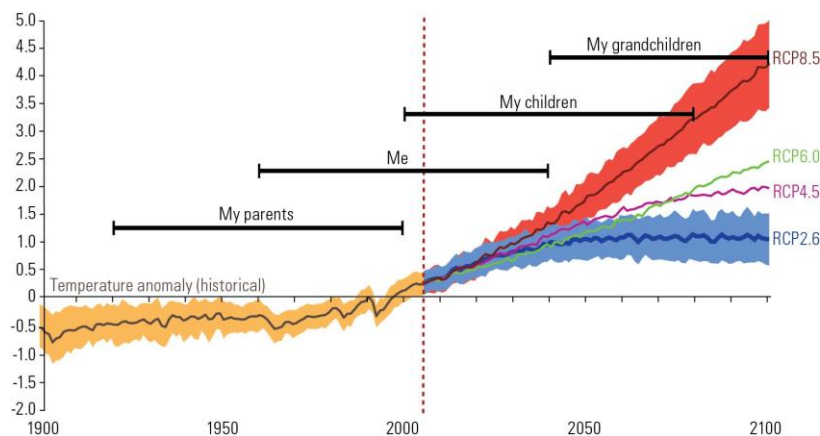
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The destruction of the environment as intergenerational inequality

Global surface temperature anomaly, 1900-2100, compared with the average for 1986-2005
(Degrees Celsius)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Intergovernmental Panel on Climate Change (IPCC), *Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*, V. R. Barros and others (eds.), Cambridge, Cambridge University Press, 2014, and D. Weston, "State of the planet, Kyoto and technical fixes", *The Political Economy of Global Warming: The Terminal Crisis*, London, Routledge, 2013.



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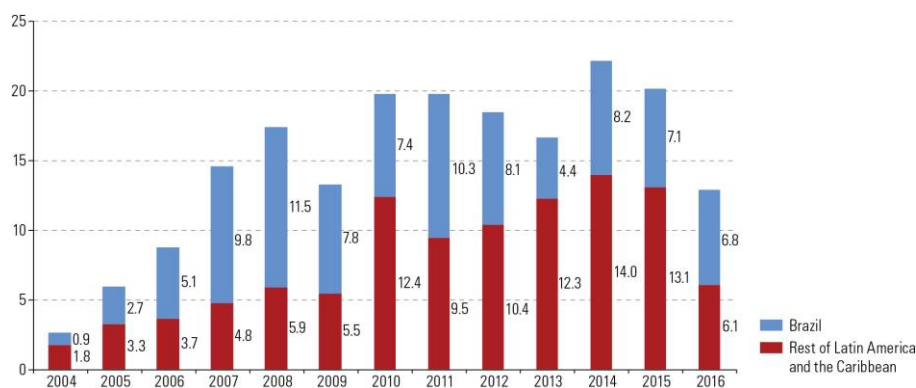
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Investment in renewable energies must be increased

Latin America and the Caribbean: investments in renewable energies, 2004-2016
(Billions of dollars)



Source: International Renewable Energy Agency (IRENA), "Featured Dashboard" [online] <http://resourceirena.irena.org/gateway/dashboard/?topic=6&subTopic=11>, 2017.

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Strategic guidelines for progress in the three dimensions of the 2030 Agenda: social, economic and environmental



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Macroeconomy for development

- Macroprudential policies to avoid the formation of fragile financial structures and asset and credit bubbles
- Managing cross-border capital flows as a means of preserving financial stability
- Safeguarding public investment against the fluctuations of economic activity and avoiding its short-sighted use as an adjustment variable during cyclical downswings
- Combating tax evasion and avoidance and improving the redistributive impact of fiscal policy



Increase the equality of capacities to boost productivity

- Universal policies of social inclusion (education, health and nutrition) help to build human capacities, boost productivity and economic growth, while fostering a culture of rights and social citizenship.
- Reshaping education systems in response to rapid technological change: universal and relevant school and higher education systems and ongoing capacity-building.
- Building or strengthening social protection and care systems to make women's unpaid work visible and to alleviate the burden of care that falls on them.



Recoup investment and industrial and technology policy centred on an environmental big push

- Environmental big push: a coordinated set of investments around new technologies and decoupling growth from environmental impact
- Digitalization favours decarbonization and sustainability: intangible (digital) services and goods; virtualization of processes
- Combination of innovative technologies such as additive manufacturing, augmented and virtual reality devices, the Internet of Things, data analytics, robotics and artificial intelligence, that make processes more flexible and adjust readily to different production scales



The technological revolution and the new pattern of development

- Three priority areas for development:
 - Fixed and mobile broadband infrastructure for achieving penetration levels close to those of middle-income OECD countries and quality close to international standards
 - Information technology industry —hardware, platforms, applications or data— capable of increasing the supply of good-quality providers of products and services for digital upgrading of firms
 - Firms' capacities for digital transformation of business models, products and services.



In addition to national policies, there are regional and global challenges

- **The sum of national actions is not enough:** multilateral institutions are needed for greater global cooperation. Global financial governance must be strengthened and global tax cooperation and co-responsibility between debtors and creditor increased
- **Provision of global public goods:** financial stability, full employment and preservation of ecological integrity of common resources
- **Means of implementation:** closing the financing, technology and trade gaps
- **Paris Agreement on climate change**
- **Regional integration to propose new agreements to reduce financial, technological and trade asymmetries at the global level**

