THE LOPSIDED CONTINENT: Inequality in Latin America

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Abstract  Latin America has the most unbalanced distribution of resources of all regions in the world. This review defines a set of common elements characterizing social structures on that continent, suggests some lines for analysis and theorizing, and supports the integration of regional studies into broader discussions of stratification. We begin with an overview of the situation on the continent as a whole, including a short discussion of the relationship between poverty and inequality, where we also address some concerns with data availability. We then devote a section each to class, gender, and race. We conclude by identifying three critical factors that explain Latin American inequality: its position within a global economic system, internal colonialism with maintenance of racial categories, and the underdevelopment of state structures.

INTRODUCTION

The study of injustice is at the heart of the sociological imagination. The classic queries of the discipline concern the distribution of power and resources; who gets what and why remain the fundamental questions we must ask. Nowhere are the answers more startling than in Latin America, a place we call the lopsided continent. Not only does its shape resemble an inverse pyramid, but the allocation of goods, services, and basic opportunities is equally unbalanced. In part because of its extremes, Latin America has been largely absent from the standard theoretical discourse on stratification and inequality in the United States (for an extended discussion of this theme, see Centeno & López-Alves 2001). We believe that this absence has deprived U.S.-based discussions of a useful set of cases and also hampered the development of a more analytically sophisticated treatment of inequality in the region. Precisely because of the extremes that may be found there, inequality in Latin America both demands an explanation and provides an opportunity for productive research.

Obviously, a region consisting of more than half a billion souls and more than 20 countries, of a variety of racial mixtures and diverging economic histories, prospects, and models, will resist easy generalization. We find enough evidence
TABLE 1  The classic Marshallian triumvirate of rights

<table>
<thead>
<tr>
<th>Civil</th>
<th>Political</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Property rights restricted in nineteenth century. Protection against domestic violence still minimal</td>
<td>By 1960, universal suffrage</td>
</tr>
<tr>
<td>Race</td>
<td>Andean countries have racial laws well into the twentieth century. Indian populations suffer under more formal segregation than blacks</td>
<td>Indigenous movements in Andes in 1980s. Black civil rights movements still underdeveloped</td>
</tr>
<tr>
<td>Class</td>
<td>Labor organizing rights restricted, but unions established by the twentieth century</td>
<td>Populist more than left responses. Socialist parties weak except in Chile. Fairly effective suffrage in Southern Cone and Northern Andes, more limited elsewhere</td>
</tr>
<tr>
<td>Global</td>
<td>Some increasing pressure on human rights</td>
<td>Enforced at least semblance of democracy</td>
</tr>
</tbody>
</table>

in the literature, however, to speak of a common experience, and we believe that these shared attributes have to be included in any discussion of Latin American stratification.

We begin our review, however, with some explicit limitations. A discussion of inequality can encompass many possible measures and cleavages. Table 1 presents a summary of the classic Marshallian triumvirate of rights across the now-standard categories of gender, class, and race. We have added a global dimension as we feel that this is particularly important for this region. Although both political and civil structures underlie the misdistribution of social rights (we make some reference to these), we limit our discussion to the allocation of resources. Moreover, we have selected a small set of cases for the purposes of this review. For gender, we focus on Mexico, Argentina, and Cuba. For race, we look at Brazil, Cuba, the Andes, and Guatemala. Finally, in our discussion of class, we emphasize the experiences of Argentina, Brazil, Mexico, and Chile. These countries were selected on the basis of relative size and importance and because of their centrality in the discussion on each of these social groups.

We begin with an overview of the situation on the continent as a whole, including a short discussion of the relationship between poverty and inequality, where we also address some concerns with data availability. We then devote a section to each of our primary categories: class, gender, and race. We conclude with some general observations and suggest some avenues for future work. Our analysis focuses on a set of questions that are also relevant to the study of inequality in the United States: What is the interaction between race, gender, and class in defining inequality? How
much of recent inequality may be explained by the erosion of the middle class? How have the past two decades of market-friendly government policies exacerbated the situation? We add questions not as immediately pertinent to North America that reflect some of the particularities of the Latin American dilemma: What role does the central position of the informal economy play in shaping both growth and distributional outcomes? What is the role of subnational divisions? Finally, how much of Latin America’s fate is determined by global forces?

HOW UNEQUAL IS THE DISTRIBUTION OF RESOURCES?

We begin with a basic definition of inequality: the distribution of resources across society (Ramos 1996). In practically every account we find the claim that Latin America is by far the most unequal region in the world (Berry 1998, Cardoso & Helwege 1992, O’Donnell & Tokman 1998, Portes & Hoffman 2003, Rosenthal 1996). As shown in Table 2, the level of inequality found on the continent defies description and belief. Cross-regional comparisons are, of course, difficult, but no other set of countries as defined by any possible categorical criteria shares these distributional characteristics. The top 5% of the Latin American income ladder receives twice the comparable share of their OECD (Organization for Economic Cooperation and Development) counterparts while the bottom receives half of what they would in those same countries (Portes & Hoffman 2003).

The consequences of this distributive system are made even worse by the fact that, with some significant exceptions, these are relatively poor societies. Thus, not only do the poor, the darker, and the female receive smaller slices, but the social pie is not large to begin with. The UNDP calculates that more than half of the population in several countries lives on less than $2 per day. The United Nations Economic Commission for Latin America and the Caribbean estimates more than 200 million are living in poverty (O’Donnell & Tokman 1998). Haiti remains the worst off, with one third of the population not expected to live to age 40 (Gafar 1998).

The combination of poverty and inequality makes Latin America an island of a particular form of misery (Figure 1). Latin Americans live worse than they need to: The correlation between the GDP and the UNDP’s Human Development Index

1Several international organizations have published reliable statistics on inequality that are frequently used in studies of Latin America: the World Bank’s World Development Indicators, the Economic Commission for Latin America and the Caribbean (ECLAC), the Statistical Yearbook for Latin America and the Caribbean, the Social Panorama of Latin America, and the United Nations Development Programme (UNDP) Human Development Indicators.

2Measurements of poverty levels are highly contentious. For example, in five different studies on poverty in Mexico in 1994, the level of poverty reported ranged from 19.7% to 46%. The measurement of poverty relies heavily on the definition and the statistical techniques used, and there is not yet any uniform index of poverty that is widely accepted (Lodoño 1996, Szekely 1996, Lustig 1995, Mamalakis 1996).
declines when the Latin American countries are added to a sample, indicating that living standards are worse than the national incomes would predict. Evidence also indicates that a significant part of the misery for large parts of the population does not necessarily stem from poverty in and of itself but from the consequences of radically asymmetrical distribution (Birdsall & Londoño 1997).

What is striking about Latin America is that even the distribution of its mis-distribution is skewed; the Gini index for the bottom 90% of the population is comparable to countries of the same level of development. It is the concentration in the top decile that sets Latin America apart (Portes & Hoffman 2003). Economists report that Latin America has “excess inequality”; if the level of inequality was the same as in countries with comparable rates of development, the poverty rate would be halved (Colburn 1999).

Growth does reduce poverty, but not nearly to the extent that one might expect given lower levels of inequality; egalitarian growth has never existed in Latin

### TABLE 2  Comparative inequality

<table>
<thead>
<tr>
<th>Country</th>
<th>Gini</th>
<th>Ratio of consumption of richest 20% to poorest 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia 1999</td>
<td>44.7</td>
<td>12.4</td>
</tr>
<tr>
<td>Brazil 1998</td>
<td>60.7</td>
<td>29.7</td>
</tr>
<tr>
<td>Chile 1998</td>
<td>56.6</td>
<td>18.6</td>
</tr>
<tr>
<td>Colombia 1996</td>
<td>57.1</td>
<td>20.3</td>
</tr>
<tr>
<td>Costa Rica 1997</td>
<td>45.9</td>
<td>11.5</td>
</tr>
<tr>
<td>Ecuador 1995</td>
<td>47.4</td>
<td>10.5</td>
</tr>
<tr>
<td>El Salvador 1998</td>
<td>52.2</td>
<td>17.2</td>
</tr>
<tr>
<td>Guatemala 1998</td>
<td>55.8</td>
<td>15.8</td>
</tr>
<tr>
<td>Honduras 1998</td>
<td>56.3</td>
<td>27.4</td>
</tr>
<tr>
<td>Mexico 1998</td>
<td>53.1</td>
<td>16.5</td>
</tr>
<tr>
<td>Nicaragua 1998</td>
<td>60.3</td>
<td>27.9</td>
</tr>
<tr>
<td>Panama 1997</td>
<td>48.5</td>
<td>14.8</td>
</tr>
<tr>
<td>Paraguay 1998</td>
<td>57.7</td>
<td>31.8</td>
</tr>
<tr>
<td>Peru 1996</td>
<td>46.2</td>
<td>11.7</td>
</tr>
<tr>
<td>Uruguay 1989</td>
<td>42.3</td>
<td>8.9</td>
</tr>
<tr>
<td>Venezuela 1998</td>
<td>49.5</td>
<td>17.7</td>
</tr>
<tr>
<td>Africa</td>
<td>45</td>
<td>9.7</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>38.1</td>
<td>6.5</td>
</tr>
<tr>
<td>South Asia</td>
<td>31.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Latin America</td>
<td>49.3</td>
<td>11.8</td>
</tr>
<tr>
<td>Industrial countries</td>
<td>33.8</td>
<td>6.3</td>
</tr>
</tbody>
</table>
Figure 1 The axes represent means for each value. Source: United Nations Development Programme 2002.

Latin America (Altimir 1994). Levels of misery and poverty would be more substantially reduced by changes in distribution than by actual growth (Paes de Barros & Mendonça 2000). In the case of Brazil, for example, the postwar economic miracle did little to “attenuate high concentration of income in the hands of the elite” (Wood & Magno de Carvalho 1988, p. 3). Latin America seems to gain little in terms of economic growth from this inequality (Fields 1992). Despite the concentration of wealth in Argentina, for example, domestic investment was 8% of the GDP during most of the 1980s (Cetragolo 1997, Richards 1997). It would seem as if the entire country was permanently on the wrong wave of the Kuznets curve.3

This misdistribution is not a new issue or a product of the past few decades (although the evidence does indicate that neoliberal policies did contribute to the increase in inequity). Latin America has historically had high rates of inequality, even during the postwar boom (Altimir 1997). From 1950 to 1970, industrialization and urbanization created some upward mobility for significant parts of the economically active population (Oxhorn 1998). Since the 1970s, however, every country, with the exception of Colombia in the 1980s and Mexico and Venezuela in the 1970s, has experienced an increase in the concentration of income and wealth (Altimir 1994, Psacharopoulos 1995, Portes & Hoffman 2003; but see Fields 1992 for disagreement regarding the increase in inequality). Figures for wealth are largely unavailable. All evidence indicates that the concentration would be even more skewed if we took wealth into account. In Santiago, the share of consumption accounted for by the bottom quintile declined by 42% from 1969 to 1988, whereas that of the top quintile increased by 23% (Berry 1998, p. 16). Rosenthal (1996) estimates that through the early 1990s, the poorest 25% suffered an erosion

3Kuznets (1979) posited that as societies developed, economic growth would initially lead to an increase in income inequality, followed by a decrease in inequality as development and growth progress.
of more than 10% but the richest gained 15%. In Mexico, inequality has increased since the introduction of free trade. Between 1984 and 1994, the absolute income of the wealthiest 10% increased by 20.8%, whereas the income of the poorest 10% declined by 23.2% (Russell 1997). Gini coefficients went up in practically every country, according to the United Nations Development Programme.

The effects of the misdistribution were exacerbated by economic declines. For the region as a whole, per capita income declined 10% to 11% during the 1980s (Berry 1998, Psacharopoulos 1995). The collapse in some countries was practically biblical: in Argentina, the percentage of the population living in poverty tripled in a single decade, reaching 29% in 1990 (Kaufman 1997). In Lima, average consumption by households declined by 55% during the last half of the 1980s (Glewwe & Hall 1992). Overall regional measures of social well-being declined by 15% (Altimir 1997). In Sao Paolo, favelas, or shantytowns, held 1.1% of the population in 1970, but 19.4% by 1993 (Caldeira 1996).

The true levels of poverty and individual levels of inequality in the region are likely considerably worse than the above household consumption figures indicate because these values do not account for the number of household members in the workforce, overlooking a trend of increasing “auto-exploitation” featuring a higher percentage of household members working for longer hours and depending on nonmonetary transactions (Cortés 1995a). Figueroa (1996) speaks of a breakdown in the “distributive equilibrium” in Latin America with a subsequent disintegration of public life. This has produced a veritable crime wave in every Latin American city. Police response has been brutal and is closely correlated with income: The Sao Paolo police killed 1470 civilians in 1992 as compared to 25 killed by the Los Angeles Police Department (Caldeira 1996). The violence of everyday life comes in infinite varieties (Scheper-Hughes 1992). In 1991, violence was the leading cause of death in the adult population in the working class neighborhoods of Buenos Aires, accounting for more than 30% of all mortalities (Arrossi 1996).

The degree of inequality across Latin America has very real implications for health and welfare. Health care varies considerably across neighborhoods in the same city. In Buenos Aires, the percentage of the population without health care coverage ranges from 19.5% in wealthy neighborhoods to more than 40% in many poor neighborhoods. The percentage of housing without flush toilets ranges from less than 2% to nearly 17%. The infant mortality rate is more than double in some neighborhoods compared to the wealthiest areas (Arrossi 1996). In Mexico City, most low-income irregular settlements do not have convenient access to public health care, leading the poor to pay for private care in many cases. In contrast, the wealthier neighborhoods are well-served by state health care facilities (Ward 1987). In Monterrey, Mexico, more than 90% of homes in the wealthiest neighborhoods have running water and drainage. In the poorest neighborhoods, only 49% have running water and only 35.3% of homes have drainage.

The data from after the mid-1990s are sparse and difficult to analyze. At their most optimistic, studies indicate that the boom of the early 1990s reduced the levels of poverty in some (but not all) countries, but also produced greater
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inequality (Korzeniewicz & Smith 2000, Sheahan 1997). Chile, for example, did experience a significant decline in poverty levels following democratization (from 44% in 1988 to the mid 20s a decade later), but levels of inequality actually increased during this time period (Vergara 1997). Argentina and Venezuela, on the other hand, have recently suffered from catastrophic declines in employment and increases in poverty while still burdened with an unequal distribution of income that has worsened during the past decade. Over the 20 years ending in 1995, the shares of consumption of the poorest 30% in Buenos Aires declined by 36%, whereas those of the top decile increased by 44% (Auyero 2000). Salaries in Buenos Aires declined by 40% and poverty rates increased by two thirds during the 1990s (Kessler 1999). Perhaps the most dramatic transformations have occurred in Cuba, where the reentry of foreign capital and the privatization of sectors of the economy have created a form of dollar apartheid (Centeno & Font 1997, Tejada 1994).

One trend is clear and practically universal throughout the region: the erosion of the middle class (Cetrangolo 1997, Grün 1998, Kessler 1999, Minujin 1995, O’Dougherty 1999). During the 1980s, the second and third quartiles saw dramatic declines in their fortunes, in some cases losing 30% of their income (Minujin 1995). Argentina is the extreme case in the rise of what may be called the new poor. In 1970, only 3% of the residents of Buenos Aires were poor; that number had increased to nearly 20% in 1990. In the past 5 years, this process has accelerated, and sources indicate that half of the population of greater Buenos Aires may now be poor.

The response in many countries has been fracasismo, a sense of despair and a regression to culturalist critiques blaming Latin Americans for an inherent capacity for failure (Minujin 1995). Accompanying an understandable skepticism of public action and in their governments, significant numbers of the professional classes have now joined their poorer countrymen in the visa lines of OECD embassies. Those that remain seek solace in fortified enclaves, where they need not interact with the misery around them and where an “aesthetic of security” is advertised as a “total way of life” (Caldeira 1996).

THE TORTURABLE AND THE NOT TORTURABLE

What Accounts for These Levels of Inequality?

Land tenure patterns remain medieval throughout the continent. In practically all countries, the agricultural elite has retained deep levels of political and social power (Conde 1964), and the notion of “internal colonialism” remains relevant.
(González Casanova 1970, Paige 1997). In Brazil, as late as the 1980s, 80% of the land was occupied by holdings of 100 hectares or more, whereas holdings of less than 10 hectares accounted for 2.5% (Reynolds 1996). Less than 1% of land holdings were more than 1000 hectares, but they accounted for 43% of the land (Wood & Magno de Carvalho 1988). In Guatemala, 85% of rural families lacked land, and 185,000 households had no land at all. On the other side, 2.3% of the farms occupied two thirds of the arable land (Barillas et al. 1989). One possible exception to this trend is Mexico, which saw the formal redistribution of much elite-owned agricultural land in the twentieth century without a subsequent drop in overall levels of inequality.

Through the 1970s, the poor were concentrated in the rural areas. Evidence from Brazil indicates that the worst level of inequalities and living conditions are found in those areas dominated by agricultural production (Leme & Biderman 1997). In 1980, 80% of the poor in some countries lived in the countryside (Selowsky 1981). Levels of rural misery may have declined because of the massive migrations into the cities during the past 40 years. Rural poverty rates had declined 14% between 1970 and 1990, whereas those of cities had increased by 30% (Rosenthal 1996).

We may also speak of pockets of misery spread throughout the continent that seem to resist all efforts to improve conditions. Perhaps the most infamous of these is in Brazil; in the 1980s, there remained a 25-year gap in the life expectancies of the poor in the Northeast and the rich in the South (Wood & Magno de Carvalho 1988, Scheper-Hughes 1992). The “Cordilleran” subcontinent stretching from the Andes through Mexico includes a peasantry often living on a fraction of what is available to their urban counterparts (Dollfus 1981).

Opportunities for work of any sort have declined across the continent since 1980 (Franco & Di Filippo 1998, Morley 1995, Rosenthal 1996, Sheahan 1997). Buenos Aires alone lost 200,000 jobs during the first 4 years of the 1990s (Altimir 1997, Auyero 2000), and currently, underemployment may affect at least one third of the Argentinean population. Latin American wages remain low in comparison to developed countries, accounting for roughly 30% of manufacturing costs as opposed to 50% in the OECD (Reynolds 1996). All sources report a decline in the level of wages available (Rosenthal 1996). Average incomes for the working population fell by 40% in Venezuela, 30% in Buenos Aires, and 21% in Brazil (Minujin 1995). In Argentina, the 1990 minimum wage was 40% of that in 1980, and in Peru it was 23%. Average industrial wages were 78.7% and 36.2% of their

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5 The ruralization of poverty helps account for the fact that, for many years, the capitals of Latin American countries could measure up against their European counterparts while the misery was hidden in the countryside. Latin American countries have always been “paradoxical mixes of splendor and decay” (Mollenkopf & Castells 1991, p. 8).

6 During a recent visit, one of the authors witnessed a scene out of the Great Depression. The university with which he is affiliated in Buenos Aires had advertised the availability of a single job for a receptionist. The line of applicants stretched around the block and included both sexes, all ages, and (based on clothing) all statuses.
1980 values, respectively, leading to the “pauperization of labor” in these countries (Figueroa 1996).

In terms of individual-level variables, education has always been an important factor in determining income and has become even more so within the past decade (Altimir 1997, Berry 1998, Robinson 1984). The distribution of education is almost as skewed as that of income. Comparing Brazil to the United States, for example, there is evidence of much more variance in levels of schooling and much greater return for education (Lam & Levison 1992). In 1980, 27% of Brazilians over 35 years old had no formal schooling and an additional 50% only had up to 4 years. Not surprisingly, illiterates had incomes of 6.5% of the level enjoyed by university graduates (Reynolds 1996). In 1990, 13.9% of Mexicans had no formal schooling, and 57.3% had 6 years of schooling or less. The rural states of Zacatecas, Chiapas, and Oaxaca had the lowest mean years of schooling, nearly 3.5 years less on average than Mexico City (Bracho 1995). The literacy gap between rural and urban men averages 25.4% across Latin America and 27.5% between rural and urban women (Stromquist 1990). The formal schooling received by working-class children tends to be of poorer quality as well. At the same time, educational opportunities are expanding for the upper class, leading to an even larger gap between the rich and the poor (Stromquist 1990). Wealthy families can afford to send their children to private schools, whereas working-class children attend poorly organized public schools, reproducing class distinctions across generations (De Silva 1998).

There is no question that the past two decades have also seen what one analyst has called a “regressive bias” in policymaking (Korzeniewicz & Smith 1996, Rosenthal 1996). Combined with a financial crunch begun with the debt crisis of 1982, these pressures have eliminated the state as a leveler of last recourse. There remains an intense debate regarding the role of neoliberal policies in the development of inequality in Latin America (Berry 1998, Birdsall & Graham 2000, Izurieita & Vos 1994, Korzeniewicz & Smith 2000, Lustig 1995, Morley 1995, Trejos 1992). There is little question that the weakness of the state has led not only to the lack of provision of basic welfare goods, but also to a skewed burden on taxes. Those who earn less than minimum wage pay 37% of their income in taxes, whereas those earning 100 times the minimum wage pay less than 13% (Reynolds 1996). Sadly, the countries with the greatest social challenges are also the ones that spend the least on services (Altimir 1997). Much of the decline in the quality of life of the middle class may also be explained by the retreat of the state from some areas with a subsequent decline in jobs and wages (Berry 1998). In Argentina, public-sector wages in 1991 were two thirds of what they had been in 1980, and teachers were paid half of what they had made a decade earlier (Cetrangolo 1997). Taking the “state back out” when it had not finished its central task has been disastrous for many countries (Centeno 1997, 2002).

The rise of neoliberal policies was closely linked to the greater integration of Latin America into the world economy (Goldfrank 1999). There is a long (and now largely disparaged) tradition of attributing the continent’s domestic troubles
to its international position (Cardoso & Faletto 1978, Gereffi & Fonda 1992), but there is evidence that some aspects of Latin America’s global role did contribute to the worsening of the distribution crises. The need to negotiate the debt after 1982, for example, may have led to some countries signaling their “toughness” by running regressive policies (Pastor & Dymski 1991). In any case, negative capital flows during most of the 1980s certainly weakened governments’ abilities to improve distribution or attenuate poverty (Kaminsky & Pereira 1996). The hunt for investment also shifted the balance of power between labor and capital in favor of the latter (Poweraker 1997). The need to protect the economy from capital flight or investment strikes has severely limited the scale and scope of state action.

The integration of trade should theoretically have led to reduction in the gap between skilled and unskilled wages (as it did in East Asia), but it failed to do so in Latin America (Wood 1997). Finally and most conjecturally, the victory of the United States’ war on Central America’s social revolutions, combined with the fear of a return of the generals, provided a clear ceiling past which even the most progressive head of state dared not venture. On the other hand, there is clear evidence that global pressures have assisted the development of women’s and minority rights (Keck & Sikkink 1998).

We feel that no single model accounts for all the patterns of inequality to be found in Latin America, but that a class-based analysis provides both the most accurate depiction of the situation and the most adequate explanation of its causes. Following the work of Portes (1985) and recent updating (Portes & Hoffman 2003), the Latin American class structure consists of the following levels:

- A “dominant class” consisting of 5% to 13% of the urban population, depending on the country. Concentrated in the capital, this class includes professional and small businessmen, high-level bureaucrats, and the very small number in the commanding heights.
- The “petty-bourgeoisie” of small shopkeepers and entrepreneurs making up 7% to 11% of the urban population. This is the sector that has perhaps been hit hardest with the globalization, or “malling,” of many cities.
- A “formal proletariat” consisting of 35% to 40% of urban populations, including those working in larger factories and the lower levels of public service.
- The “informal sector” including 40% to 50% of the population, featuring owners of small illegal enterprises, workers in those enterprises, and the mass of street sellers and service providers with no security or protection.

To these categories we need to add the 10% to 40% of the population living in the countryside. McVay & Vogt (1988) break the rural class structure into three distinct groups: the aristocrats, consisting of the old, landed aristocracy, the political elites, and the wealthy; the businessmen, a middle class made up of professionals and merchants; and the poor, who are often employed in manual labor or as servants for the upper two classes. The poor in McVay & Vogt’s (1988) study include those
employed in informal enterprises as well as an underclass of the very poor of indigenous descent.

As noted above, the most distinguishing characteristic of Latin America is the concentration of resources in the relatively small top of the pyramid. In general, one can assume that the top decile accounts for as much as half of the national income and that the top 1% holds almost all of the wealth. This situation is exacerbated by the existence of the informal sector, where most of the employment growth is concentrated (Franco & Di Filippo 1998). The concentration of power in the first and the heterogeneity of the second has made it practically impossible to organize a coherent collectivist political program, resulting in often illusionary populist appeals that do nothing but reproduce the same class structures (Oxhorn 1998, Chalmers et al. 1997).

Precisely because of these qualities, we feel that the language of class analysis may be inadequate for Latin America. The size of the gulfs separating sections of the population, the absence of any long-term trend to ameliorate the injustices, and the stability of an untouchable population of informal workers seems to call for categories more closely resembling that of caste than of class. The coexistence of high levels of inequality with racial prejudice further supports this categorization. Perhaps the best reason for not using the language of class analysis is that, in the postwar era and in the OECD, such discussions have come to be associated with power in hidden and nonviolent terms. In Latin America, inequality is supported by levels of violence that retain the flavor of the nineteenth century. It is an inequality that can only be understood through a constant and daily reinforced flow of blood.

“ALWAYS LET HIM EAT FIRST”

The conditions of women in Latin America have changed significantly throughout the twentieth century. De Barbieri (1983) discusses three periods in which the rights of women expanded significantly. The first, from 1929 to 1962, centered on obtaining full citizenship rights of political participation and voting. The second period, beginning in 1945 and continuing to today, has focused on the expansion of civil rights of property and rights to full employment. Finally, since the 1970s, we have seen the emergence in Latin America of a feminist movement concerned with the full equality of the sexes on political, social, and civil levels. De Oliveira (1997) examines the changes in women’s employment in the second half of the twentieth century. She finds that women’s participation in the labor market has grown, but that women still remain in typically female occupations and in much lower numbers than in Europe, North America, and parts of Asia. She classifies the growth of women in the labor market into three periods: the emergence of women in the labor force during the 1960s and 1970s due to demographic and social changes.

7Common advice given to new brides in Mexico.
the rise of the informal sector participation by women as a means of family survival during the economic crisis of the early 1980s, and the increasing presence of women in export-oriented industries and *maquiladoras* due to globalization and economic restructuring from the late 1980s to today.

Modernization theorists believed that development would naturally lead to an improvement in the conditions of women and an increase in women’s participation in the labor market in particular. However, the results of development have not been entirely positive. Anderson & Dimon (1995) find that the rise of export-oriented industries in certain regions of Mexico has led to an increase in women’s participation in the labor market and a reduction in the wage gap between men and women. Yet they also find that the labor market overall has remained largely segregated by gender. Despite the increasing participation of women, Draper (1985) and Daza Samper (1997) both argue that the jobs women are able to obtain in new industries are usually low-paying with poor working conditions and limited job security. Companies also tend to prefer young, unmarried, and childless women. Draper (1985) argues that capitalist development has actually undermined women’s traditional power in the labor market by reducing the demand for women’s work in agriculture and household production. Similarly, Labrecque (1998) finds that, although globalization has drawn more women into manufacturing jobs, this has not necessarily translated into social changes. Instead, there has been a resurgence of conservatism and a backlash against changes in women’s domestic roles.

The intersection of class and gender plays a major role in the experiences of women entering the labor market (Adler Hellman 1994, Deere 1995, Safa 1995). García de Fanelli (1991) finds that middle-class, educated women are more likely to enter higher-paying, white collar fields, whereas poor and less-educated women tend to find jobs in domestic service and manufacturing. Wilson (1998) argues that the women working in the informal sector tend to be either poor married women or single mothers and that, even within the informal sector, women tend to be at a disadvantage because they have fewer networks and less access to capital. She argues that women in the informal sector suffer from a double exploitation of class and gender. Del Olmo (1990), in her study of women and the illegal drug trade, finds that there is a significant gender division of labor and that women’s work tends to be marginalized even within the production and trade of illegal drugs. Further, women tend to be at a greater risk of exposure because much of their work takes place within the home, where the police are most likely to conduct a search and seizure.

A major argument in the literature is that the conditions for women in Latin America will not improve until their educational opportunities improve (Campillo 1994, Draper 1985). Wainerman (1979) argues that education plays a twofold role in bringing women into the labor market. First, higher levels of education provide greater opportunities for higher-paying jobs, while at the same time increasing the desire among educated women to work outside the home. Second, education leads to changes in the structure of families and redefines women’s domestic roles,
which, in turn, reduces the limits on women’s participation in the labor market caused by family responsibilities. In support of this argument, Marotz (1976) finds that Mexican families actually have higher aspirations for their daughters than equivalent American families. However, these aspirations do not match the economic realities that their daughters will face.

Other studies have found that there are limits on the role that education is playing in the improvement of women’s economic opportunities. Cortina (1995) finds that since 1975, women in Mexico have experienced a jump in education levels and that girls and boys are equally represented in primary and secondary schools. However, men are still overrepresented in higher education, and despite this increase in education, women remain concentrated in typically feminine jobs. Stromquist (1990) presents an analysis of literacy that highlights the compounding effects of class, race, region, and gender in educational opportunities. She finds that overall levels of education are high in Latin America, rivaling Europe and North America in many cases. However, education is also highly unequal. Women have much higher illiteracy rates than men, particularly in rural areas, and the gender gap is significantly worse for rural, indigenous, non-Spanish-speaking women. She argues that these gaps will have important consequences for inequality in the future as new economic opportunities open for the highly educated, middle-class, urban population, whereas rural, poor women will not have access to these same opportunities.

Despite changes in women’s economic opportunities, social changes have been much slower. Allahar (1994) finds that the status of Cuban women improved a great deal following the Cuban Revolution, especially in public realms such as access to the job market and education (see also Smith & Padula 1996). Nonetheless, within the household, women remain solely responsible for domestic duties and the reproduction of the workforce. Researchers studying the internal dynamics of households in Mexico, particularly peasant households, have found that households themselves are highly divided by gender (LeVine 1993). Stephen’s (1993) analysis of Zapotec peasant households finds that men and women have very different roles in the household, which leads to competition and power struggles over resources. Lawson (1998) argues that these internal power dynamics have important consequences for migration, especially in determining which family member migrates and the outcomes of such family strategies. Women’s economic contributions to the household are often overlooked or downplayed as a result of cultural constructions of gender (Ehlers 1990) or the earnings gap between husbands and wives (Paes de Barros et al. 2000).

Further, much empirical evidence suggests that female-headed households may be at a much greater risk of poverty than other households. Paes de Barros & Mendonca (1992) find that female-headed households are more likely to be living in poverty and have higher rates of child mortality than other families. They argue that these outcomes are a result of the gender gap in earnings and occupational stratification. Chant (1997) offers an alternative explanation of these findings. She argues against the idea that female-headed households are the poorest of the poor by looking at the internal dynamics of these households. She finds that
female-headed households often have multiple wage earners because daughters are more likely to take on wage labor than in male-headed households. However, in many cases, the women in these families may be better off because they are in sole control of the family’s earnings.

Women have been politically active in Latin America, although they have not been able to achieve full political representation and leadership roles. The forms of participation they have engaged in range from direct participation in elections to broad women’s movements. Braun (1992) finds that in Argentina, women’s participation in elections is roughly equivalent to that of men and actually exceeds men’s voting levels in many cases. She also finds that there is a significant gap in the political views of working women and those who maintain more traditional household roles. Working women tend to hold views more supportive of democracy and pluralism and are much less supportive of military regimes. In Mexico, Dalton (1990) finds that rural, working-class women have been officially incorporated into state-sponsored unions and political groups through government-sponsored women’s organizations. Women in Cuba have historically played a large role in political movements, including the 1959 revolution. The state has, in turn, promoted equality on many formal issues, such as education, employment, and political participation. Yet the cultural dimensions of gender inequality have changed much more slowly, and traditional gender roles remain dominant at the social level (Harris 1995, Rains & Stark 1997).

Like women in Cuba, women throughout Latin America have played a large role in political movements. Since the mid-1970s, the feminist movement has been active in directly promoting equality of the sexes (Alvarez 1990, 1998; Stephen 1997). Other women’s movements have emerged, especially at the local level and among working-class women, to address other political concerns, including “to secure better urban services, to protest the rising cost of living, and to secure health care and education for their children. Torture, disappearances, and other forms of political repression also have united women of all social classes to organize human rights movements” (Sternbach et al. 1992, p. 401). Peña (1981) discusses the role of women in class movements in the maquiladoras. Guy (1998) traces the history of a predecessor to these movements, the Child Rights Movement, which focused on concerns of child welfare and working-class mothers. Today, the feminist movement tries to encompass all of these political movements, as well as working to address the compounding inequalities of gender, class, and race (Vargas 1992).

Despite high levels of participation in elections and political movements, as well as official inclusion in the government in Mexico, women’s political participation in Latin America remains limited. Rains & Stark (1997) emphasize that women are almost entirely excluded from leadership roles in the Cuban government. Traditional attitudes remain barriers to the agenda of the feminist movement as well. Sternbach et al. (1992, p. 402) state that, even today, women’s movements are “continually admonished against adopting ‘bad’ feminist beliefs, such as abortion rights and the right to sexual self-determination.” Although we do find high levels
of political participation among Latin American women, the feminist movement still has a long way to go before achieving gender equality.

“HE WHO IS NOT WHITE IS BLACK”

Latin America is a hybrid continent made up of at least three ethnic traditions, and it produces an infinite array of colors and cultures. For many years, myths persisted of the region as a racial democracy, of a Brazil perfectly combining Iberian and African traditions, and of a mestizaje and nuevas razas that avoided Anglo-American categories, but the reality of race in Latin America is obviously quite different (de la Fuente 2001, Reichmann 1999, Safa 1998, Sherif 2001, Twine 1997, Wade 1993, Winant 1994). Venezuela may be the only large country in the region where non-whites play a significant role in national politics (Sansone 1998). The despair of being poor and black in Brazil or the indignities suffered by the Indian middle class of the Andes are no less real for having arisen from a different pattern of conquest and slavery from that in the United States (Andrews 1991, Pereña 1992, Scott 1985, Stone 1990, Viotti da Costa 1994).

Latin America does resemble its northern neighbors in the persistence of a debate regarding the relative significance of race versus class in determining social status and an equivalent debate regarding the material bases of identity as opposed to culturalist or postmodern interpretations. There is no question that the “cleavage of privilege and opportunity follows racial-ethnic distinctions” (Portes 2001, p. 229), but we follow Hale (1997) in considering much of this debate unproductive at best. What Scheper-Hughes calls “the political economy of suffering” (1992) resists efforts to avoid the complications of context and history in defining the categories that doom the miserable.

In order to understand the dynamics of racial inequality in Latin America, it is critical to appreciate two significant differences from societies to the north. First, bipolar categories are relatively useless in most situations in Latin America (Safa 1998). Obviously, a huge gulf exists between those who are white or European and those who are not, but these categories are diffuse and shaped by context (Portes 1984, Wade 1997). Nor are race and ethnicity perceived as necessarily biological categories. Obviously, some phenotypes are more desirable (as even a cursory excursion through Latin television will demonstrate), but these are neither necessary nor sufficient for racial categorization. Ethnic identity is partly the result of class position, geographical location, individual strategies, as well as a means to “collectively express and pursue interests, demands, and values” (Hale 1997, p. 517).

The origins of the racial groupings in Latin America are not clear. Marx (1996, 1998) finds that categories reflect the extent of elite consensus at the time of nation formation. Given the homogeneity and cohesion of Latin American elites in the nineteenth century, they felt no need to create formal systems of exclusions as a

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8Brazilian popular saying.
way of consolidating their position. Jimeno (1989) also argues that racial categories are the creation of state polices, but here the emphasis is on the “minoritization” of the actual majority of the population.

In some cases, states chose to do away with race categories by refusing to recognize some social realities. The Ecuadorian state assumes that all citizens are mestizos, thereby obscuring racial origins of domination (de la Torre 1999). Mexico’s raza cosmica is a similar construct, but in reality some are more raza than others. The ideology of mestizaje has, in many instances, been used to support a policy of “whitening” an Indian mass (Quijada 1998a, Rahier 1998, Safa 1998). Similarly, the creation of a generic campesino helps obscure racial realities and identities as is the case in Puerto Rico, Cuba, and the Dominican Republic (Safa 1998). Statistics are called on to support such myths. Between 1890 and 1940, Brazil did not collect racial data in its census; Fidel Castro decreed that Cuba was freed of prejudice in 1961, and thereafter no census data has been available by race. Despite these official strategies, the drama of race is often played on an individual level, with mobility and deception omnipresent: “[E]thnic group boundaries are maintained and manipulated . . . not so much by myths of race as by a local selection of realities and myths linked to a concatenation of social, cultural, political, and economic factors which varied through . . . time and space” (Belote & Belote 1984, p. 25).

Brazil remains the most relevant case for North American students of inequality. In 1914, Theodore Roosevelt could claim that there was no color bar in Brazil (Reichmann 1999), but that was never nor is it now the case. The definition of race was and remains different from that in the United States. There was never, for example, a “one drop rule” in Brazil (Fry 2000, Skidmore 1995, Winant 1992). Brazil did have, however, a significant experience with scientific racism (Stepan 1991). In Brazil, cor, or shade, is the key category; in a 1991 census, respondents used 100 different words to describe their race (Reichmann 1999). The ambiguity of racial identity was, for many years, seen as an “escape hatch” allowing non-white mobility (Andrews 1992, 1993), whereas others noted the supremacy of class as “money whitened” (Guillebeau 1999). This ambiguity reflected not equality but a persistent social tendency to escape from blackness.

Sherif (2001) documents how Brazilians use language both to discriminate and to deny prejudice. Moreover, all evidence indicates that although the major divide is between white and non-white, pardos do better than the darker pretos, and few Brazilians are willing to acknowledge the latter identity preferring a process of self-mulatozation. This also leads to considerable debate about the real conditions of the non-white population depending on terms and definitions used (Harris et al. 1993, Telles 1995, Telles & Lim 1998). Racial ambiguities have also made it much harder to construct any policies of affirmative action, which remains illegal in Brazil (Fry 2000, Guillebeau 1999, Guimarães 1999). Only recently with the apertura of the 1980s and the discussion of human rights under Cardoso has anything approaching a black political movement developed (Reichmann 1999, Winant 1992). Wade (1993) cites a similar problem in Colombia.
Beginning with the pioneering studies by UNESCO in the 1950s, the racial divide in Brazil has become increasingly clear; there is little doubt that the distribution of employment and income reflect the social hierarchy of color (Hasenbalg 1994). On average, whites live 7 years longer, have a one-fourth better chance of surviving infancy, have four times the rate of completion of secondary school, and stand half the chance of being in prison (Fry 2000, Lovell & Wood 1998). Afro-Brazilians have a 42% higher probability of being assaulted (Mitchell & Wood 1999). Wage differences between white and non-white males remain after controlling for educational and estimated experience (Lovell & Dwyer 1988, p. 136; Skidmore 1995). Even in the same occupational categories, non-whites earn 50% to 75% of whites (Andrews 1992, 1993; Reichmann 1999). Depressingly, the gap between white and non-white earnings increases as one climbs the occupational ladder (Andrews 1992, 1993; Hasenbalg 1994). Similarly, Telles (1992, 1994, 1995) finds greater racial segregation in the wealthier neighborhoods of Rio de Janeiro than in the poorer zones. Whereas the favelados come in all colors (but tend to be darker), the elite is much more homogenously white (Twine 1997).

The situation of blacks in other parts of Latin America is no better (Whitten & Torres 1998). In Ecuador, the appearance of a black beauty pageant winner caused a scandal (Rahier 1998), whereas Gafar (1998) reports that in the Caribbean countries with the most significant African and Indian populations (Trinidad, Tobago, and Guyana) there is a clear race gap with the Indian descendants on top. Cuba is, along with Brazil, the country whose racial makeup most resembles that of the United States and has been the subject of considerable attention (de la Fuente 1998, 2001; Dominguez 1976; Ferrer 1999; Helig 1995; Moore 1988). Despite myths similar to those found in Brazil, there is clear evidence of significant racial inequalities prior to 1959 in income, education, health, residence, and incarceration. There were many efforts to disenfranchise Afro-Cubans and to deal with any political movements, particularly stemming from the significantly black independence army. Much as in Brazil, efforts were made to create a national identity that avoided race. There is considerable debate regarding whether this merely served to obscure domination (Helig 1995) or whether it also provided a significant defense against even-more-discriminatory policies (de la Fuente 2001). Whereas the social policies of the Revolution have clearly improved the living standards of Afro-Cubans, their representation among the leading political circles remains extremely limited and popular culture remains extremely racialist if not racist. There is also considerable anxiety in the island as to whether the improvements in living standards can survive a post-Castro transition.

The conditions among those of pre-Colombian heritage parallel those of the descendants of slaves. There is perhaps even greater ambiguity in social categories involving “Indianess.” For example, Primov (1980) contrasts the identity claims and perceptions of Sierra and Amazonian Indians. In the Andean highland, Indian has come to mean as much a class category as an ethnic one, but in the Amazon, it still implies autonomy and the existence of a different social world. Similarly, in Mexico, ladinos and Indians can agree that the former are socially dominant, but
whereas ladinos contend that this is due to ascribed characteristics, Indians see it as a consequence of economic power (Aguilar 1979).

In Mexico and in the Andes, ethnic categories originate in racist classifications of the sixteenth century but have evolved into something much more complicated (Nutini 1997). Confusion between *indios*, ladinos, cholos, and mestizos often has nothing to do with phenotypes but has to do with clothing, locale of birth, or residence and language.9

Nevertheless, as in the case of blacks in Brazil, as one moves up the stratification system, the significance of cultural signals recedes and that of phenotype increases. Upward mobility is fluid and possible but remains characterized by the advantages of racial whiteness. There is a considerable dearth of statistics on the current Indian population even in those countries with large numbers of non-whites (Gomez-Perassio 1976). Yet, there is no question that there are strong causal relationships between ethnicity, education, and income (Dillon Soares & Reyna 1967) Even when achieving high occupational status, non-whites make less money and are treated differently.

These same ambiguities in identity have frustrated efforts to create “pro-Indian” policies (Beaucage 1988, Swepston 1978). There is a paradoxical public emphasis on both integration and cultural preservation (Banton 1996). Differences between *indigenismo* and *indianidad* fill political and academic debates (Berdichewsky 1986). Efforts to create a generic peasant ideology have generally failed. Recently, however, the rise of indigenous social and political movements in various countries would indicate that the structures of ethnic power might be changing (Harvey 1998, Lucero 2001, Turner 1996, Warren 1998, Yashar 1999).

“THE FUTURE IS NOT WHAT IT USED TO BE”10

We began our discussion with the Marshallian trilogy of civil, political, and social rights and admitted that we would focus on the latter. In the twenty-first century, it is impossible to deny the importance of political rights and the consequences of their being abridged. With regard to civil rights, some recent commentators have focused on what Guillermo O’Donnell calls “the browning of society” and the consequences for all aspects of life when legal institutions are eroded. Nevertheless, in light of the pervasive inequality in Latin America that we have documented, it is difficult to imagine how political and civil rights could be realistically constructed in that continent without first addressing some of their social counterparts. The problem facing any decision maker in Latin America is that these social rights have little chance of being implemented without a democracy to demand them.

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9It is important to note that each of the terms is considered derogatory by those one level above on the social chain.

10Resident of Buenos Aires shantytown quoted in Auyero 2000, p. 15.
and courts to defend them. The dilemma for Latin America is having to construct simultaneously a set of rights that often contradict each other.

Before considering any future options, students of Latin America have to ask themselves why inequality is so pervasive on the continent. One might even say that inequity is the essential, constant, and defining characteristic of the region. One breathes inequality everywhere in Latin America. In fact, the pervasiveness of inequality can often blind students and residents to it; injustice becomes so normalized that the idea of a world without it is impossible. One is tempted to blame simple historic reproduction as the main cause. Yet unlike cases such as pre-1994 South Africa or the American Jim Crow South, there are no formal institutions to which one can point to as directly responsible and which one can fight. In this way, Latin American societies can seem like the paradigms of the classic liberal dilemma: The absence of formal restrictions on liberty help to constrain individual freedom of choice. However, Lula’s rise from poverty to the Brazilian presidency also indicates that social mobility is possible.

We noted the absence of anything approaching a coherent body of theoretical work on inequality in the region and largely blame the absence of systemic data collection efforts for this underdevelopment. This has retarded efforts to better analyze the causes and consequences of both poverty and inequality in the region; methodologies and definitions of basic concepts vary by country, city, and study. A significant problem with testing the relationships discussed above has been the limitations on national-level data. A subnational comparison taking into account provincial and local governmental attributes would allow a better indication of the role of the state in promoting or resisting inequality. Household-level work across the different countries is required to ascertain the quotidian consequences of Latin American social structures. This can only be done with the same kind of precise and large surveys taken for granted in the OECD. We strongly urge an alliance of interests between the sociological community interested in stratification and that of Latin Americanist scholars who would encourage the development of a regional research strategy, including a large-N multiyear household survey. Only with such an instrument can we begin to map the conditions on the continent with the kinds of precision standard for studies. The issue is not purely an academic one. Without such analyses it is impossible to determine the extent to which the injustice so prevalent on the continent is a function of culture, history, or political economy. Without an answer, any hope of addressing these problems is stillborn.

With regard to theoretical guidelines, to explain the Latin American pattern of inequality, we need to identify the factors that satisfy two conditions: First, Latin America must be exceptional in this regard compared to other regions in the world. Second, within Latin America, we should find a positive correlation with the degree to which countries are characterized according to these criteria and their level of inequality. From the discussion above, three candidates stand out.

First, we must recognize Latin America’s exceptionally long past as a colony and its subsequent development within a global system. We need to be wary of the addictive passion of blaming someone else, a habit with too many adherents
in Latin America. The continent’s position of structural dependency in a global marketplace has had serious consequences for the distribution of goods and power. This is still true today, as the constraints and demands placed on Latin American societies by lenders, international financial organizations, and the global capital markets make it difficult to maintain even minimal welfare states.

To what extent does external dependency help explain differences in inequality within the continent? This issue has too often been left to polemics (at worst) or single case histories at best. The evidence, for example, does indicate that having avoided becoming a significant producer of a major exportable commodity played a major role in the more egalitarian development of Costa Rica (Mahoney 2003, Paige 1997). On the other hand, Argentina and Uruguay were active members of the global market and yet constructed the largest middle classes in Latin America. What we need is concrete measures of structural positions at different points in time that will allow a systemic measure of the effect this has on subsequent developments. We need to recognize and further analyze the consequences of opening capital markets and increasing dependence on international financing and how this has limited state action.

A similar strategy ought to be implemented for comparisons of Latin America’s fate and that of other regions in the last quarter of the twentieth century. We certainly need better analysis of the extent to which neoliberal policies have worsened levels of inequality. Again, there are theoretical arguments and empirical evidence for both sides. We need to ask if and why the implementation of these policies in Latin America has produced greater growth in inequality than in other regions. We also need to better differentiate between neoliberal policies (for example, privatization versus trade opening) so as to measure the different effects of policies within the continent. We will also need to disaggregate the social winners and losers. There is no question that some social sectors have benefited from neoliberal measures while others have paid a high price. These effects must be quantified in order to arrive at some reaggregated, and perhaps overly utilitarian, measure of the broad consequences of the new policies.

Within that global system, Latin America has been able to retain a practically premodern social structure with a caste of the absurdly wealthy at the top and numerical majority of the nonintegrated at the bottom. This internal form of colonialism is the second critical component of an explanation of Latin American inequality. In this regard, we would argue for a better study of the relative significance of race, class, and gender and their interactions to overall inequality. Although ethnic distinctions and hierarchies are certainly not unique to Latin America, we would argue that the continent is characterized by a particularly uniform and resilient system of race prejudice that has helped shape class distinctions. As we noted above, the term caste may be quite applicable to the continent. Combined with the legacy of land ownership produced by the Conquest, this has created overlapping hierarchical boundaries making any kind of social mobility practically unimaginable. As Mahoney (2003) has noted in recent work, the
The relationship between inequality and ethnic composition is quite strong within the continent as well.

The sheer magnitude of inequities makes the kind of fine distinctions associated with classic North American studies of stratification not very attractive or advisable. Rather than searching for some causal hierarchy, we contend that there is, at the very least, a clear additive interaction between race, gender, class, and region. In short, to be black, female, unemployed, and in the Brazilian Northeast is to be caught in so many structural traps as to make escape practically impossible.

For our third factor, we suggest that there is a negative correlation between various measures of state capacity and inequality (with causal direction flowing in both ways). Where political authority and bureaucratic systems have been better established, the capacity of those on the bottom to insist on greater welfare measures will increase. Despite its reputation as a Leviathan, the Latin American state’s capacity to do anything at all is actually quite limited. Recent elections in Brazil and Ecuador will help indicate to what extent political groups committed to greater social equity can use political instruments to improve the situation. Is it any accident, for example, that aside from Mexico and Cuba (and half-heartedly Chile and Peru) Latin America has yet to see the massive agrarian redistribution seen in other zones of similar development? Once again, the relationship between the institutional power of political authority and inequality seems to be significant across countries in the continent. We believe that the absence of a state, or at least one able and willing to address social dysfunctions, also helps to account for Latin America’s peculiar institutions. It may no longer be fashionable to depend on the state, but if people wish to change a society and eliminate barriers to full citizenship, it is difficult to imagine how this could be done without political power. The North American state gave workers rights, eliminated segregation, provided for old age, and built roads. The failure to do the same in Latin America has allowed a Hobbesian market where too many lives are nasty, brutish, and short.

Economic informality is also linked to the notion of state capacity. In some countries, the informal sector may account for half of the economically active population. In such cases, shifts in any direction in the official wages may have little meaning for the quality of life of the population as a whole. In the absence of a state, the informal economy represents a permanent pool of the miserable and the marginalized.

In the absence of a state, the rich can maintain their position through the practice of thuggish violence. As noted above, the studies of inequality in developed countries can often ignore the raw imposition of power that characterizes unequal relationships. In Latin America, power has a clear face and does not hide itself.

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11 We are suggesting the opposite relationship than that proposed by DeSoto. For him, the overwhelming state pushes people into informality. For us, only an ineffective state accounts for the size of such a sector.
behind too many institutional walls. Power may be seen in the murder of dissidents, in the assassination of union leaders, and in the killing of street urchins. More recently, it may also be seen in the eternal threat to withdraw funds to richer havens. This power need not even be exercised. It is the threat of violence or exit that often makes many policies not viable. The key to politics in Latin America seems to be to “not scare the Right.” As long as the forces that benefit from social misallocation retain this veto, inequality will remain pervasive.

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