

# ELITES AND INEQUALITY IN LATIN AMERICA

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INEQUALITY CONSTITUTES a broadly debated phenomenon in Latin America. Analysis conducted from spheres as diverse as education, health or housing –among others– frequently deduce that extreme disparities between social groups, affect both the access to and the quality of several goods and social services. As a result, large differences in opportunities and life experiences of citizens are outlined. Concurrently, the problems and weaknesses that distinguish societies affected by high levels of inequality are being identified with growing precision by recent international studies from various disciplines.<sup>1</sup>

When the consequences of inequality are explored, the task of detecting who are the disadvantaged seems to be more relevant than identifying who the benefitted are. Public debate, and particularly public policies, tend to assume – reasonably– that confronted against inequality, attention must be focused firstly on those worst situated in society. Inequality constitutes a relationship, however, not an individual condition. Such relationship entails that reference to a certain group of society –e.g. the disadvantaged– always involves implicit reference to another one –e.g. the benefitted. What happens, therefore, with those situated on the benefitted end? Is it possible to talk about a group that benefits from inequality?

Certainly, answering these questions goes beyond the possibilities of this work. Through them, however, some reflections regarding the issue of elites and inequality in Latin America can be drawn. To do that, the rest of this paper is organized as follows: firstly, background on regional income disparities will be presented; secondly, some precisions regarding the concept of elite will be provided; finally, three aspects of



social and institutional organization will be analyzed briefly, in order to shed light both on the social position of elites in the region and their relationship with inequality.

#### INEQUALITY AS INCOME CONCENTRATION AND STABILITY OF POSITION

The indignation and weariness of millions of citizens around the world nurtured the social mobilizations of 2011. For the first time in years they reacted strongly against a system they considered unfair. One of the most catchy and publicized slogans in the United States read: “*We are the 99%*”. It was used to protest against banks and the financial system, but most remarkably, against a minority that was considered to be threatening the American dream of meritocracy and the self made man. Not only the streets were used to deploy campaigns, but also social networks. One of the most appealing consisted of one dollar bills showing the income received by the 1% versus the 99%, the evolution of those figures in the last decades, or the salary gaps between workers and CEOs.

If this campaign had been carried out in Latin American countries, bills would have needed to inform additionally that, far from being new, these are problems with long roots in time. Latin America is the most unequal region of the world, at least since the Second World War, with the possible exception of Sub-Saharan Africa (De Ferranti et al., 2004). When income distribution between groups of the population is analyzed, a common feature becomes apparent: a high concentration of income in a small group of society. According to ECLAC’s figures (2012), “*The simple average of the values for the 18 countries for which relatively recent information exists, indicates that the richest 10% of the population receive 32% of the total income, while the poorest 40% receive 15%*”.<sup>2</sup> Even though the last decade showed positive figures in terms of inequality reduction for several Latin American countries (Cornia, 2012), they are insufficient to modify the

scenery previously described in a meaningful way. The consequences of the abovementioned cannot be fully understood without paying attention to social mobility. A recent research of the World Bank<sup>3</sup> show improvements in terms of upward economic mobility –movements from poverty to vulnerability conditions or from vulnerability to middle class– during the last 15 years. Intergenerational mobility, however, remains limited in Latin America. This conclusion is valid both considering the relationship between parents’ education and their offspring schooling years, and to a lesser extent, when observing the effects of parents’ background in the performance of students.<sup>4</sup>

In addition, the same report concludes that low intergenerational mobility is correlated with high levels of inequality, which it is very interesting to research about the social position of the elites. Of course, there are a vast variety of distinct cases and experiences among different countries within the region. One element appears to be constant though: according with the World Bank, mobility towards the upper classes –despite the positive trends of the last 15 years– remains quite scarce.

The latter is consistent with the Chilean case, which is a prominent example of positive figures in terms of upward social mobility in a similar period. Previous research has described social mobility in Chile as having “*significant hierarchical barriers, especially between the upper social stratum and the rest of the social structure, [which] combines with weak sectorial barriers between classes that do not differentiate significantly in terms of socioeconomic status*”.<sup>5</sup> Given the existence of social mobility, therefore, Chile appears to offer a positive case within the Latin-American spectrum. Nevertheless, it remains a significant barrier that separates the elite from the rest of society, preventing social mobility from reaching the upper tiers. In this light, the optimism of the Chilean case dilutes, bringing the country closer to the reality of the other countries in the region.

Conceived in this way, the phenomenon of



inequality becomes more relevant. An unequal society can be thought of, with levels of mobility that ensure a dynamic social structure, capable of transforming and renewing itself according to accessible merits, capabilities, and opportunities. If, on the contrary, there are high levels of inequality which are stable in time, and additionally with low mobility –or at least a mobility that is limited to access upper positions–, the problem is different, particularly when attention is paid to the position of elites.

#### LATIN AMERICAN ELITES: SOME CONCEPTS AND ELEMENTS OF DISCUSSION

In general terms, being the recipient of a high income is not necessarily associated with being part of the elite. The conditions of income concentration and social mobility described in this work, however, are useful to understand that in Latin American society there is a well-delimited upper group, stable and difficult to permeate or renew. Given those elements, it becomes easier to associate high income with an advantaged social position, characterized by features that go beyond the mere possession of material resources.

Sociology has dealt with the issue of elites since its origins. In dialogue with philosophy, economy and political science, sociological literature has discussed for instance the difference between the notions of dominant class, prominence and elite.<sup>6</sup> Within the concept of elite, sociology has proposed categories to distinguish those who hold different positions, and to understand the role and influence of each one in society.<sup>7</sup> In a contemporary approach, Joignant & Güell (2011) define elite as “a group of notable men and women according to some aspect or foundation [such as]: economic or cultural capital, expert or specialized knowledge, select social networks, scarce know-how in connection with the practical functioning of some activity –for example politics–,

*exploitation of socially valued surnames in a specific moment and a specific society”.*<sup>8</sup>

Greer & Orleans (1964) highlight the intertwined system that elites are able to build through a particular set of social codes that includes norms and sanctions, a strong intergenerational nature, and diverse fields that fall under their influence: “The interlocking-elite system is one in which the same class of persons produces leaders in the polity, the economy, the ecclesia, and the army. This class of persons...is typically hereditary, so family becomes the major transmission belt for the recruitment of the various elites. At the same time, control of the various command posts allows self-perpetuation of the class, while class-endogamy creates, from a set of elites in heterogeneous

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*activity, a defensive social group with common norms and sanctions”.*<sup>9</sup>

When analyzing the debate on elites in Germany, Hartman (2008) mentions the discontent that those groups activate in the general population, and how they are usually associated with unjustified privileges, detachment from reality and the arrogance of power. One way of understanding such a negative connotation is by considering that, upon those elites, fall “all kinds of responsibility and capacity attributions in connection with the transformations of the State or of societies, which turn them, at the same time and without contradiction, into source of popular aggression and source of popular identification and imitation.”<sup>10</sup>

What can be said about Latin American elites based on these precisions? Three elements that should be part of a more extensive and systematic



analysis on the topic are presented:

1. Elites command high levels of power in the private sector, which allows them to produce diversified and influential control networks. Ross Schneider (2009) refers to Latin American countries using an approach of “varieties of capitalism”, and characterizes them as “Hierarchical Market Economies”. He describes diversified family business groups as the dominant type of corporate organization that has been able to survive and prosper during the latest periods of liberalization and globalization. Despite being few, these groups control large shares of the economy, reaching up to one fifth or more of the GDP. Likewise, Schneider emphasizes that, because these economic groups are usually owned and managed by families, they tend to perpetuate through several generations. Certainly, this description is expressed with nuances and specificities in practice. It proves useful to portray in general, however, the enormous economic influence of small elite groups in the productive structures of Latin American countries.
2. Elites exert a strong influence in the public sector, which facilitates the representation of their interests in the State, the restriction of institutional change, and their capacity to permeate the functioning of institutions. According to Ardanaz & Scartascini (2011), the persistence of relatively low personal income taxes in Latin America –despite democratic transitions in the 80’ and the 90s and the levels of regional economic development– is in part explained by the institutional arrangements introduced by key political actors during democratic transitions. This would have occurred, particularly, due to a *legislative malapportionment* -described as a “discrepancy between the share of legislative seats and the share of population held by electoral districts”<sup>11</sup> - that is thought to have attributed more

influence, in terms of political representation, to certain groups in spite of others in the construction of public policies.

Due to the fact that overrepresented electoral constituencies tend to align with conservative parties, the *legislative malapportionment* would be serving the economic interests of elite groups that wish to keep their fiscal contributions as low as possible. Ardanaz & Scartascini show that high levels of *legislative malapportionment* are related with low personal income tax percentages in 17 Latin American countries (and more than 50 in the world). Likewise, countries with higher levels of wealth and income inequality tend to systematically show higher levels of *legislative*

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*malapportionment*.

3. The elite’s extraordinary benefits in terms of quality of life and opportunities create large distances regarding the rest of society (Reygadas, 2008). This translates into codes of closeness and identity that facilitate social reproduction of privileges and reinforce the affiliation of its members. Space for discrimination, harm and stigmatization gets amplified in highly unequal societies, hindering social coexistence and respect between citizens. This is exemplified by the work of Nuñez & Gutierrez (2004) who depict discrimination based on socioeconomic background between equally qualified professionals in Chile. Another example is found in the controversy triggered by a Spanish magazine report on a powerful Colombian woman, in which a photograph showed her with two black employees in the background, as a scene that portrays clearly



different positions and status between races, social and economic conditions.<sup>12</sup> Those examples provide evidence about how inequalities operate in everyday life, affecting life expectations of thousands of citizens, but also tracing social boundaries, with several consequences in terms of cooperation and integration between citizens.

## CONCLUSIONS

This paper has sought to provide information regarding inequality in Latin America with an emphasis on the position of elites. Further analysis should direct attention to country specificity and particular conditions of development and inequality: analysing an entire and diverse region as if it constituted a single, stable and undifferentiated reality would be an evident mistake.

The risk of falling in essentialisms must also be avoided, considering that Latin American elites do not constitute a unique case, completely different and incomparable to the elites of other regions. Neither do they represent a uniform and unchangeable group. Latin American elites do experience internal tensions and ruptures, and have been subject to social changes throughout history. It is inadequate, therefore, to think of univocal, conspiratorial and premeditated action guidelines, as if elites were a hermetic group, capable of designing the social order with absolute liberty.

Having mentioned the latter caveats, it is possible to describe Latin American elites as a small portion of the population, characterized by a high concentration of income and the presence of entry barriers. In light of the reviewed empirical evidence, such groups often benefit from current and historic inequality conditions, in terms of enjoying an occasionally decisive influence in business, tax and legislative matters, among others. A more extensive reflection, however, should not directly relate Latin American elites with a desire to reproduce inequality. In many

cases, privileged and powerful individuals share the diagnosis that reducing inequality levels is not only necessary, but also advantageous to their own interests. Not only the development strategy is at stake, but also the threat to social peace in each country. And, in any case, this has an impact in the own prospects of the elites.

## NOTES:

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1. See for example Wilkinson & Pickett (2010), Stiglitz (2012) o Rosanvallon (2012).
2. ECLAC (2012), P.20.
3. Ferreira, Francisco H. G., Julian Messina, Jamele Rigolini, Luis-Felipe López-Calva, Maria Ana Lugo, and Renos Vakis. 2013. Economic Mobility and the Rise of the Latin American Middle Class. Washington, DC: World Bank.
4. According to the referenced report, the effect of parents' background in the performance of students is measured by using scores in standardized tests of the Programme for International Student Assessment, PISA. See page 7 (Overview in Spanish).
5. Torche (2005), Pág. 19.
6. See for example Münkler (2006).
7. See, for example, the distinction between strategic elites and non-strategic elites (Keller, 1963), the idea of "Power Elite" in Wright Mills (1956), the notion of *Leistungseliten* and the critics it generates (Hartmann, 2008), among others.
8. Joignant & Güell (Eds.)(2011), P.12.
9. Greer, S. & Orleans, P. "Political Sociology", in Handbook of Modern Sociology, edited by Robert Feris, Chicago: Rand McNally, 1964, Pág. 833, quoted by Domhoff, W. (1967).
10. Joignant & Güell, Op. Cit., P.12.
11. Ardanaz & Scartascini (2011), P.4.
12. See "Las mujeres más poderosas del valle del Cauca", Hola Magazine, December 2011.