



# ECONOMÍA NUESTRA

TIME FOR AN ECONOMY  
FOR EVERYONE



OXFAM

Latin America and the Caribbean is the region in the world with the greatest polarisation between the wealth held by the richest 1% and the poorest 50%. In 2022, the richest 1% in LAC had almost \$44 of every \$100 of total wealth, while the poorest half of the population as a whole had just \$0.80 out of every \$100, meaning that the tiny group of the richest people in LAC have 55 times more wealth than the poorest half of the entire region. Over the past 25 years, the richest have stayed just as rich, while the poorest 50% have become poorer. The gap between the many and the few has been increasing.

As of January 2024, there were 98 billionaires in LAC with a combined wealth of US\$480.8 billion, an amount similar to the annual GDP of Chile and Ecuador combined. The two richest men in the region have more wealth than the poorest half (334 million people).<sup>1</sup> Since 2000, the combined fortunes of LAC

billionaires have increased by 368% in real terms – almost six times faster than the region’s economic growth – equivalent to US\$43.7 million a day or US\$306 million a week. A worker in LAC who receives the average minimum wage would have to work for 90 years to earn what a Latin-Caribbean billionaire earns in a single day.<sup>2</sup>

In 2023, the poverty rate in LAC reached 29.1% (183 million people) while extreme poverty was at 11.4% (72 million people)<sup>3</sup>. This is higher than it was in 2010 and there are now 2.9 million more people living in extreme poverty compared to before the pandemic.<sup>4</sup> If someone in LAC has two or more of the following characteristics – they are a woman, a young person, live in a rural zone, are Afro-descendant or indigenous – then their likelihood of living in poverty or extreme poverty increases.<sup>5</sup> These populations experience the full impact of economic polarisation.



## TAX SYSTEMS FOR THE FEW

Fiscal policy, particularly the design of tax systems, are complicit in the polarisation of wealth. How much tax is collected and how it is redistributed is a key issue for our societies. While fiscal policy can be a central instrument for correcting the deep imbalances caused by the market economy, in LAC - with a few exceptions - the opposite is true. Fiscal policies, and especially tax systems, tend to reproduce and increase economic polarisation and extreme inequalities.

Tax systems in Latin America and the Caribbean collect little, unfairly and favour those who have the most. Total tax collection in the region has grown by just 1.7 percentage points of regional GDP in the last 10 years, going from 20% (2010) to 21.7% (2021). Tax collection in LAC is 10.7 percentage points lower than the average rate for OECD economies. This gap means that US\$544 billion per year is not being invested to fight poverty and guarantee people's rights in the region. Low growth in tax revenue collection

has come at the expense of those who have the least. While half of tax revenue in LAC comes from consumption taxes – which disproportionately affect lower-income households – revenue from taxes on corporate profits and capital gains has decreased by the equivalent of 0.06 percentage points of regional GDP between 2010 and 2021. The contribution of direct taxes (income and property) remained virtually constant between 2005 and 2021 – far below their revenue-raising potential compared to OECD countries. In LAC, just five countries levy taxes on net wealth while only nine have inheritance, estate and gift taxes. The region also has lower effective tax rates on capital gains compared to labour income.<sup>6</sup> This unfair pattern of tax collection sees the richest 1% in the region pay proportionally less tax than the poorest 50%, meaning that our tax systems don't reduce inequality gaps but actually increase them.





## **INEQUALITIES AND THE CONCENTRATION OF POWER: WHAT THE FREE MARKET MODEL AND DEMOCRACIES FAILED TO REVERSE**

Several decades after structural reforms and the return to democracy in the region, it is clear that both the current economic model and political systems have failed to deliver on their promises of well-being, inclusion and guaranteed rights. Economic development based on the exportation of raw materials has increased the region's dependency and vulnerability to international price cycles without resulting in any changes to inequality gaps. This model has also caused profound environmental damage and worsened the lives of communities. The region's economic elites are the only ones who have benefited from these extractive activities, exacerbating the extreme polarisation of wealth. The deterioration of democracy in several countries in the region has nullified the promise of a transition to societies that guarantee rights, civil and political liberties, social participation in decision-making and public policy focused on the common good. In recent years there has been a notable re-concentration of power in the hands of a small elite who have sought to expand their privileges. Changes to the design of States that began in the 1980s continue, eliminating the modest advances made with the welfare or social State model. The neoliberal characteristics of States have been strengthened, which support the accumulation and wealth of minority sectors through policies that involve economic openness and deregulation, increasing internal security to silence critical voices and reducing social spending, among others.

## **AN EVEN MORE UNCERTAIN FUTURE**

Two phenomena increase the level of uncertainty for LAC. One is the intensification of the impacts of the climate crisis, which in LAC involves a double asymmetry: these are countries that make a small contribution to global warming but will be some of the most affected. It is estimated that the climate crisis will cause a decrease in per capita GDP in the region of between -5% and -10% until 2030<sup>7</sup>, which in turn could lead to an increase of 16.7 million people living in poverty and 9.6 million in extreme poverty.<sup>8</sup> This asymmetry is also expressed within their societies: while the top 10% of the population is responsible for 33% of greenhouse gas emissions, the impacts will be felt most by the poorest people who produce just 1.6% of total emissions.<sup>9</sup>

The second phenomenon is the demographic transition. By 2045, LAC's population will no longer be primarily young. The dependent population will outnumber the working age population from 2032 onwards. This has immense implications for the economy, social security systems, care and health.<sup>10</sup> Coping with these phenomena will require a mobilisation of financial resources that is unprecedented in the region, calling into question countries' medium and long-term fiscal sustainability.



## **A COMMITMENT TO AN ECONOMIC AND SOCIAL MODEL THAT PUTS AN END TO INEQUALITIES**

Overcoming the current context of multiple crises and extreme inequalities requires profound transformations. It is essential that we respond to the impacts of these crises and move towards another development model that is unequivocally focused on making the lives of people and the planet sustainable. This is why Oxfam proposes a minimum agenda consisting of three priorities for the coming decades. Firstly, **public policies to reduce intersectional inequalities** that will prioritise income and access to health and education. Implementation of these policies will require high levels of public investment in universal services that guarantee basic rights on an equal basis. Second, **promote climate justice**, which will contribute to the sustainability of life and help achieve a just transition to alternatives to the current development model. This implies replacing the exploitation of natural assets as a source of regional wealth, limiting the new

extractive industries demanded by the global energy transition and establishing regulatory processes for environmental, economic and social matters in order to prevent serious socio-environmental impacts. It is also necessary to demand adequate retribution for the use of public resources and guarantee the rights of local populations and communities. Third, **promote policies that foster shared responsibility for care work**, moving towards a system that provides universal guarantees for the right to care based on shared responsibility between the State, the private sector, and households, while also achieving equal responsibility for care between men and women in their homes. A number of studies have highlighted the economic potential of investing in universal care systems, which would contribute to mass job creation, increased productivity, training for those who provide care, economic autonomy for women and higher public tax revenues. These changes require the construction of a new social pact in the region that would strengthen the capacity of States to manage their economies based on common interests while guaranteeing the rights and well-being of their populations.



## **TOWARDS A NEW ERA OF PROGRESSIVE TAX REFORMS IN LAC**

The effective and sufficient mobilisation of public resources to address these challenges in LAC requires urgent progress through momentous tax reforms that will put people's rights and the sustainability of the planet at the centre of fiscal policy. Oxfam proposes a package of five alternative taxation measures that will transform and renew the social and fiscal pact in the region. These proposals are based on the principles of progressivity and sustainability and will essentially affect LAC's richest 1%. They address the historical taxation gap for the ultra-rich, prioritising taxes on large fortunes, capital income and large corporate profits, as well as eradicating tax evasion and the culture of privilege that sustains inefficient and unfair tax incentives. If implemented, these reforms could generate additional revenue of US\$264 billion across the region, equivalent to 4% of regional GDP and representing a 24% increase in public tax revenue collection.<sup>11</sup> These resources would make it possible to: lift all people in LAC out of extreme poverty (requiring a total investment of US\$175 billion per year); implement national public care systems (US\$75.6 billion); and double current regional public spending on actions to address the climate crisis (US\$13 billion).

## **TOWARDS FINANCING A NEW LATIN AMERICAN AND CARIBBEAN SOCIAL PACT**

It is time to build the foundation for a new era of wealth redistribution and embark on the path to more humane economies and fairer societies in LAC. Oxfam recommends that governments in the region adopt a minimum agenda consisting of three priorities for the coming decades that all countries can promote: strengthen public policies for social protection in different areas, move towards the universalisation of public services to guarantee rights and promote a significant increase in public resources to meet these challenges.

While governments in the region have a responsibility to implement these transformative measures, their potential would be amplified if these changes are combined with coordinated actions at regional and international levels. We encourage governments in the region to actively commit to:

- Increasing international coordination that, with Brazil's presidency of the G20, proposes a new international standard on how the ultra-rich should be taxed;
- Moving towards a United Nations Framework Convention on International Tax Cooperation (FCTC), which establishes governance of the international tax system in which the interests of LAC and the Global South are put first; and
- Strengthening the mandate and political capital of the Latin American and Caribbean Tax Platform (PTLAC) as the true meeting point for coordinating policies that reinforce tax progressivity in LAC.

## NOTES

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