

Inequality on the Rise: A Study of Inequality in Mexico and Brazil

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Abstract

Mexico and Brazil have gained success economically in the past 30 years. However, inequality remains high in both Mexico and Brazil and income inequality has even increased recently in Brazil. This article analyzes inequality in Mexico and Brazil, analyzing income inequality, class inequality, educational inequality, and racial inequality. In Brazil and Mexico, most of the wealth is controlled by a small percentage of the population while the poor majority have limited access to equal opportunities and necessities, causing further problems in each country. Both countries have attempted to implement social assistance programs which have had some success but have not made significant progress in recent years. This article analyzes the causes of inequality in both Mexico and Brazil through socioeconomic policies and how the two countries have tried to successfully reduce inequality but have mostly failed to do so significantly in recent years.

I. Introduction

Inequality has been a persistent issue throughout the world. Despite economic growth in many countries, inequality and poverty remain to be an issue. According to the United Nations (2020), total global inequality (inequality across all individuals in the world) declined since the 1990s, yet income inequality within countries has risen. As the wealthy top percent of the population increases their wealth, the poor bottom percent remain in poverty without access to equal opportunities, hindering their capabilities and freedoms.¹

Inequality can be measured in many ways, not solely based on wealth gaps. Race, gender, and class have played intimate roles in the access to opportunity, especially in Latin America. In some cases, inequality has increased despite economic growth. Countries have attempted to mitigate these issues in various ways and have seen mixed results. This article examines inequality in Mexico and Brazil. Various issues can be cross-examined within the topic of inequality due to their proximity, such as poverty. Furthermore, this article will study vertical inequality, which measures inequality across individuals within a group, such as individuals in Mexico and Brazil,

¹ Wells (undated).

and horizontal inequality, which measures inequality between different groups, such as inequality between Mexico and Brazil.

This article is structured into six sections: introduction, literature review, socioeconomic background, analysis of inequality, ethical analysis of inequality, and conclusion. The literature review summarizes some of the recent literature on inequality within Mexico and Brazil. The socioeconomic background reviews the data on GDP per capita, life expectancy, and the literacy rate in each country and across the two countries. The analysis of facts analyzes various measures of inequality, especially income inequality, inequality in educational attainment, and the impact of rapid urbanization and rural migration. The ethical analysis first reviews some answers to the question if inequality is ethical and then focuses on key programs implemented in Mexico and Brazil to address poverty and inequality.

II. Literature Review

There is a substantial literature regarding inequality and poverty in Latin America, but especially for Mexico and Brazil, the two largest economies in the region, as Mexico and Brazil have some of the highest rates of inequality in the region. Lustig, Lopez-Calva and Ortiz-Juarez (2013) and Carrera Troyano and Dominguez Martin (2016) analyze both Mexico and Brazil. Bailey, Loveman and Muniz (2013), Pereira (2016), and Signor, Kim and Tebaldi (2019) focus on Brazil, while Gutierrez et al. (2020) and Monroy-Gómez-Franco, Vélez-Grajales and Yalonetzky (2021) focus on Mexico.

- Lustig, Lopez-Calva and Ortiz-Juarez (2013) analyze both Mexico and Brazil during 2000 to 2010 to explain the decline in inequality during this period. They conclude that a major factor in this was more progressive government transfers. Another factor that had a substantial impact was a fall in the premium to skilled labor. Additionally, the expansion of basic education seemed to have reduced the earnings gap.
- Carrera Troyano and Dominguez Martin (2016) contrast the efficacy of poverty reduction programs in Mexico and Brazil while also highlighting economic factors that play a role each country's growth. Furthermore, they state that the rise of China has shown contrasting effects on Brazil's and Mexico's economies. China's growth had a positive impact on Brazil's economy but has not alleviated inequality and poverty. Mexico, however, has seen an increase in competition with China that is not considered to have been beneficial for Mexico. Mexico is also more reliant on trade with the United States.
- Bailey, Loveman and Muniz (2013) discuss the relevance of racial inequality in Brazil and its impact on income disparities. They first show how Brazil's racial composition can shift from majority white to majority black depending on what kind of classification scheme is used. Using quintile regression analysis, they find that racial disparities are the most severe at the upper end of the income distribution. They also conclude that racial disparities in earnings are larger when race is defined by interviewers rather than self-identified. Finally, they find that those classified as black suffer a greater wage penalty than those classified as brown.
- Pereira (2016) focuses on ethno-racial poverty and its effect on income disparities within Brazil. Similar to Bailey, Loveman and Muniz (2013), Pereira concludes that Brazil's history with the slave trade, which ended relatively early, has played a significant role in

current politics and has prevented many Afro-Brazilians from accessing the same resources as white Brazilians. Indigenous populations have also suffered from inequality in Brazil.

- Signor, Kim and Tebaldi (2019) examine the persistence of income inequality in Brazil. They attribute the persistence of income inequality to high disparities in educational attainment. Furthermore, they find that regional economic and social structures are to be blamed for supporting an economic model that perpetuates regional inequalities in Brazil. Despite the persistence in income inequality, Signor, Kim and Tebaldi (2019) stress that some government policies (including income transfer programs), the decline in labor income ratios between different ethnic groups, and the increase of the share of formal jobs in the labor market have contributed to reduce income inequality.
- Gutierrez et al. (2020) focus on inequality in Mexico, specifically highlighting the importance of health disparities within the country and its role in Mexico's progress towards the Sustainable Development Goals (SDGs). Health is a key aspect in poverty and inequality since poorer areas have less access to health care services and safe and sanitary living conditions, especially those living in rural communities or slums. The study also attributes low levels of literacy to negative health outcomes. This has hindered Mexico's path towards reaching the SDGs and the reduction of inequality and poverty in the country.
- Monroy-Gómez-Franco, Vélez-Grajales and Yalonzky (2021) investigate racial inequality in Mexico in terms of inequality of opportunity and wealth. They conclude that although race and skin-tone play a role in social standings in Mexico, the impact is relatively minor. However, they do conclude that the social racial hierarchy established during Mexico's colonial period can explain economic inequality within the country, with indigenous populations making a larger percentage of the rural poor in comparison to white populations.

III. Socio-economic Background

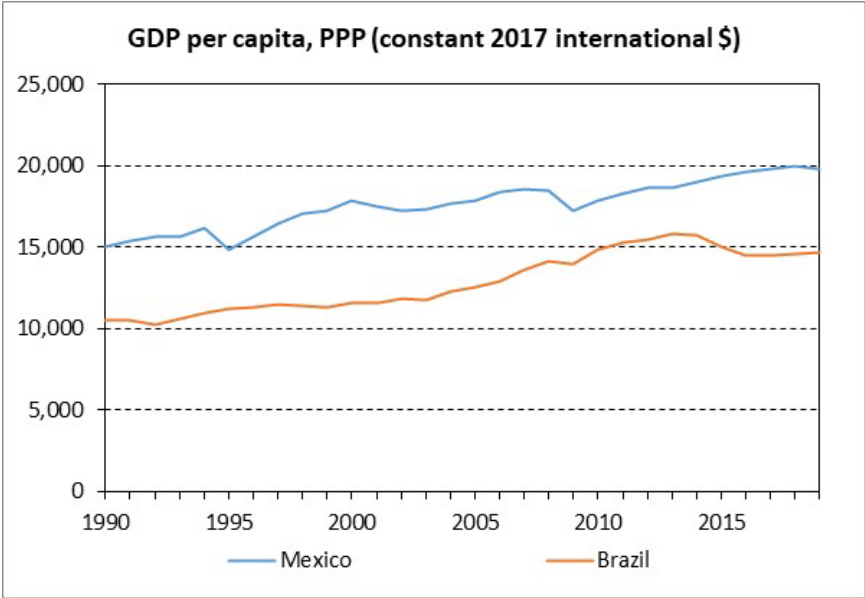
Mexico and Brazil both gained independence from Spain in the 1800s, Mexico in 1810 and Brazil in 1822. Figure 1 displays purchasing power parity (PPP)-adjusted GDP per capita in constant international dollars for Mexico and Brazil from 1990 to 2018. During this period, both countries' GDP per capita experienced mostly periods of growth, though there also were a few declines. Mexico's GDP per capita declined in 1995 (Mexican financial crisis), in 2001 and 2002 (recession in the world economy), in 2008 and 2009 (the Great Recession), and finally also in 2019 due to COVID-19. Brazil's GDP per capita declined in 1991 and 1992, in 1998 and 1999 (Brazilian financial crisis),² in 2003, in 2009 (the Great Recession), and in 2014, 2015, and 2016.

Overall, Mexico's PPP-adjusted GDP per capita increased by \$4,775, from \$15,021 in 1990 to \$19,796 in 2019, while Brazil's PPP-adjusted GDP per capita increased by \$4,134, from \$10,518 to \$14,652 during the same period. Hence, while Mexico's GDP per capita increased slightly more in absolute terms, Brazil's increased more in relative terms. Overall, Mexico's GDP per capita has been slightly more volatile than Brazil's GDP per capita. Both, the higher level and the higher volatility of Mexico's GDP per capita can also be attributed to Mexico's close proximity and close economic ties, especially trade treaties, with the United States.

² Gruben and Kiser (1999).

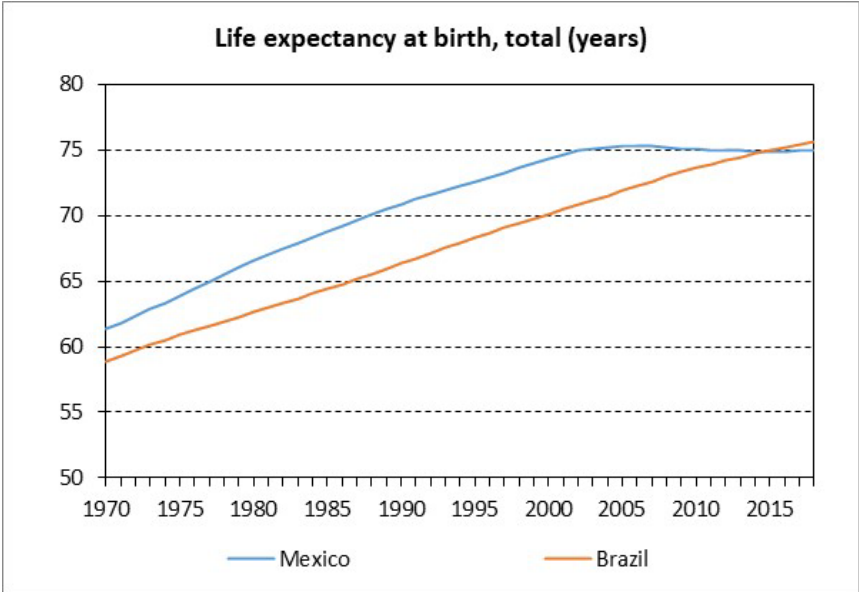
As shown in Figure 2, Mexico and Brazil have similar rates of life expectancy. In 1970, Mexico's life expectancy at birth was 61.4 years, while Brazil's was 58.9 years. In 2018, Mexico's life expectancy was 75.0 years, while Brazil's was 75.7 years, a difference of less than a year. Life expectancy in Mexico peaked in 2005, when it reached 75.3 years, and has slightly declined since. Brazil's life expectancy, however, has steadily increased and continues to do so, overtaking Mexico in 2018.

Figure 1: GDP per capita, PPP (constant 2017 international \$), 1990-2018



Source: Created by author based on World Bank (2021).

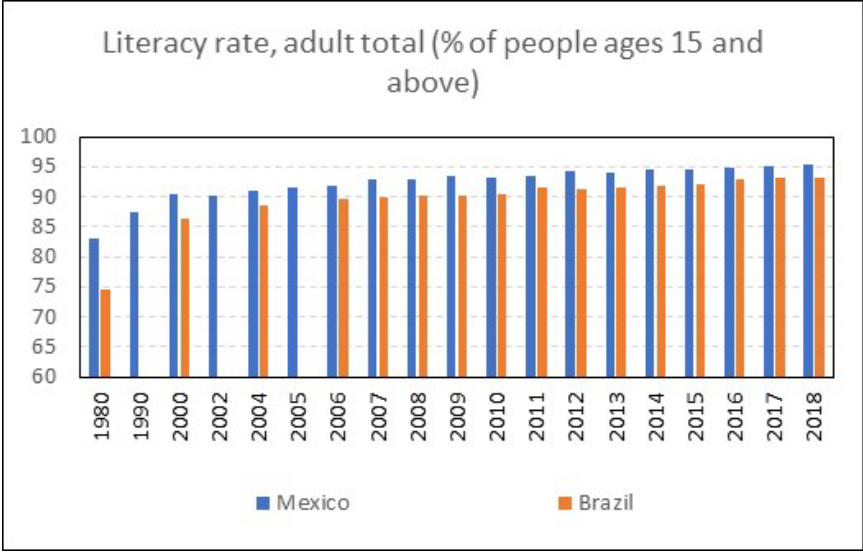
Figure 2: Life Expectancy (in years) in Mexico and Brazil, 1970-2018



Source: Created by author based on World Bank (2021).

As shown in Figure 3, both countries have experienced an increase in the literacy rate since 1980, more significantly in Brazil than Mexico. The literacy rate in Brazil jumped from 74.6 percent in 1980 to 93.2 percent in 2018, an 18.6 percentage points increase. Mexico saw an increase from 83.0 percent in 1980 to 95.4 percent in 2018, a 12.4 percentage points increase. Like increases in GDP per capita, these increases in literacy rate are expected to reduce poverty, since the lack of access to education limits a person’s opportunities in society. Their impact on inequality, which will be examined in more details in the next section, is however more complicated as these improvements in literacy rates say little about the distribution of other gains in education.

Figure 3: Adult Literacy Rate (percent of people ages 15 and above)



Source: Created by author based on World Bank (2021).

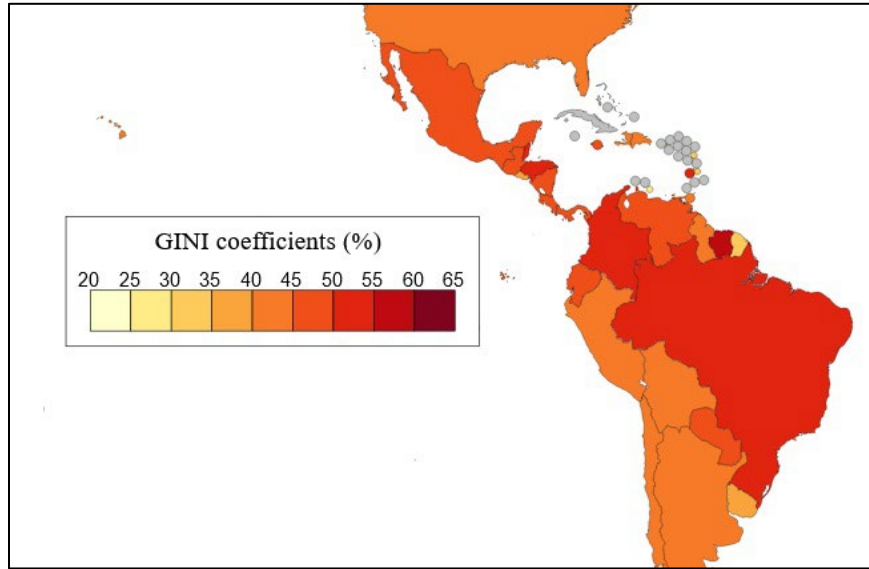
When comparing the two countries across these three indicators, Mexico has a lead over Brazil in both GDP per capita and the literacy rate. However, Brazil seems to be catching up with Mexico in terms of literacy and Brazil has recently surpassed Mexico in life expectancy. Due to Mexico’s higher GDP per capita, many consider it a more developed country. However, Brazil’s higher life expectancy and catching up in terms of literacy seems to indicate that Brazil is doing better than Mexico in terms of social or human development.

IV. Analysis of Inequality in Mexico and Brazil

IV.1. Gini Coefficient and Income Shares

Income inequality remains to be a critical issue, especially in Latin America. The Gini coefficient is a popular measure of inequality. The higher the Gini coefficient, the higher is inequality. Figure 4 provides the level of inequality measured by the Gini in Latin America based on World Bank data from 1992 to 2018. The darker shades of red correlate with a higher level of inequality. Brazil has the third darkest red (with a Gini between 50 and 55 percent), while Mexico has the fourth darkest red (with a Gini between 45 and 50 percent).

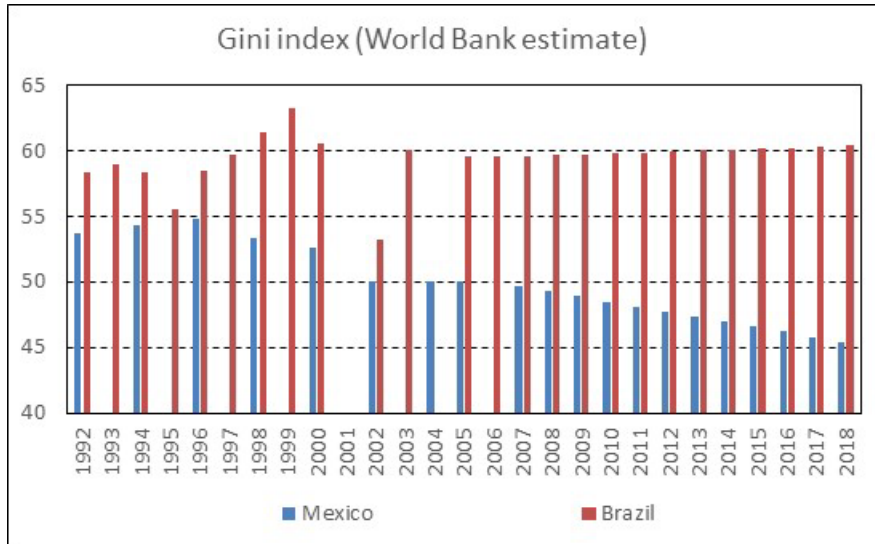
Figure 4: Gini Index, 1992-2018 (partial map for Latin America)



Source: https://en.wikipedia.org/wiki/List_of_countries_by_income_equality.

Mexico had experienced a slight reduction in inequality from 1996 to 2018, as is reflected in the declining Gini from 54.8 percent in 1996 to 45.4 percent in 2018, shown in Figure 5. Similarly, inequality in Brazil has followed a negative trend but has experienced fluctuations, specifically in 1999 when the Gini coefficient increased to 63.3 percent, then decreased to 53.2 percent in 2002, then shot back up to 60.1 percent in 2003. Since 2003, it has remained relatively stagnant, revealing the persistence of inequality within Brazil.

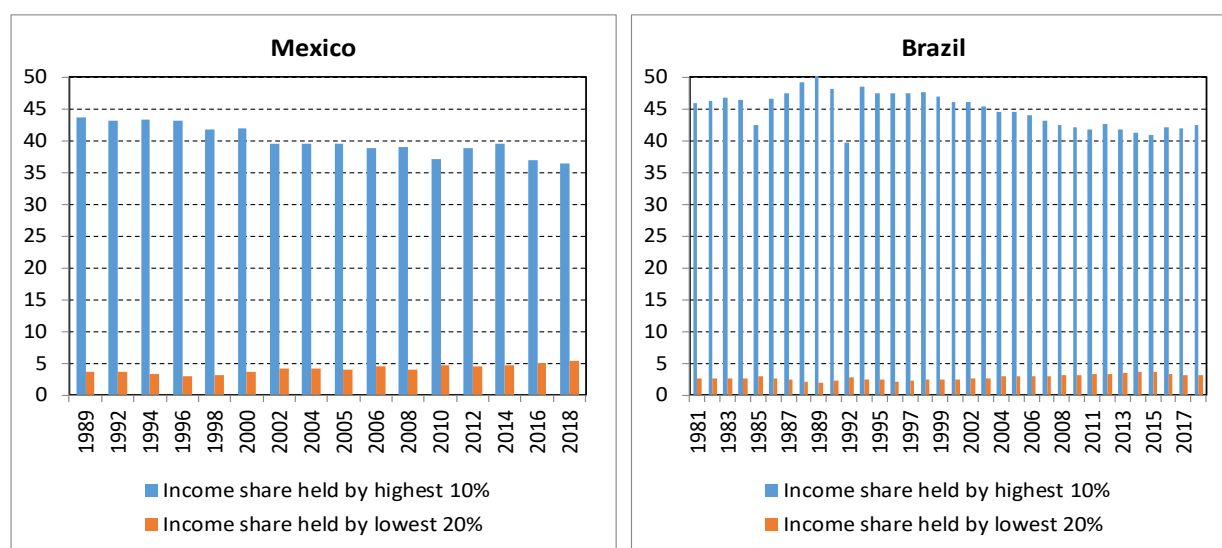
Figure 5: Gini Index for Mexico and Brazil, 1992-2018



Source: Created by author based on World Bank (2021).

Figures 6 and 7 show the evolution of income shares for the richest 10 percent and the poorest 20 percent of the population for all available years, respectively for Mexico and Brazil. The data show that the income share of Mexico's bottom 20 percent has fluctuated between a minimum of 2.9 percent and a maximum of 5.4 percent of total income. For Brazil, the income share of the poorest 20 percent has fluctuated between a minimum of 2.0 percent and a maximum of 3.6 percent of total income. On the other hand, the income share for the richest 10 percent has gradually decreased from 43.6 percent of total income in 1989 to 36.4 percent of total income in 2018 in Mexico, while it fluctuated between a minimum of 40.9 percent and a maximum of 51.2 percent of total income in Brazil. These income shares are broadly consistent with the data provided for the Gini in the previous Figure 5.

Figures 6 and 7: Income Share Held by the Highest 10 Percent and the Lowest 20 Percent of the Population in Mexico and Brazil, all available years

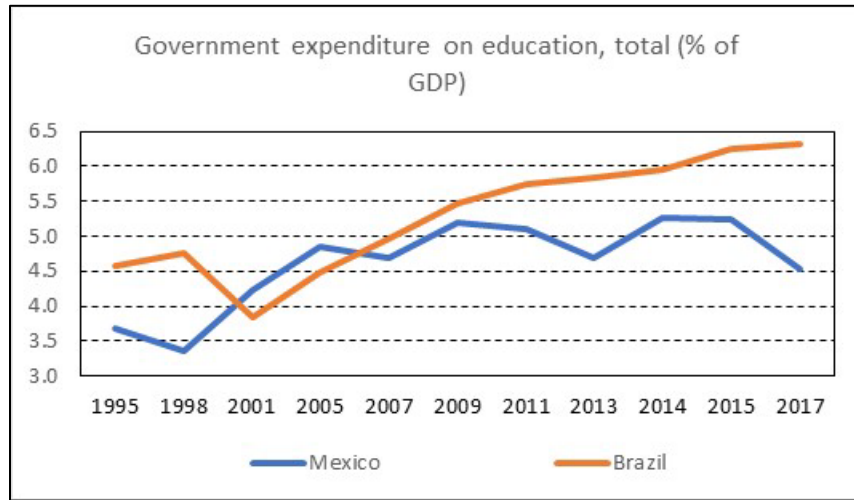


Source: Created by author based on World Bank (2021).

IV.2. Education Spending and Educational Attainment

According to Lustig, Lopez-Calva and Ortiz-Juarez (2013), an increase in education spending from the late 1990s through the mid-2000s made a positive impact on the reduction of inequality and poverty in Mexico and Brazil. Figure 8 shows that government expenditure on education (as a percentage of each country's GDP) increased from 1998 to 2014 in Mexico (despite some volatility) and from 2001 to 2017 in Brazil. In 1998, Mexico's education expenditure was only 3.4 percent of its GDP. However, it increased up to 4.8 percent in 2005, then fluctuated for the next decade. It decreased substantially from 2015 to 2017, when it dropped by 0.7 percentage points to 4.5 percent, the lowest it has been since 2001. In Brazil, there was a reduction to education spending by the government from 1998 to 2001. However, it has increased since 2001 from 3.8 percent to 6.3 percent of GDP in 2017. It is necessary to mention that although government expenditure on education is important when assessing inequality, it is not representative of inequality and poverty within a country without knowing, for example, who ultimately benefitted from increased education expenditures.

Figure 8: Government Expenditure on Education (percent of GDP), 1995-2017

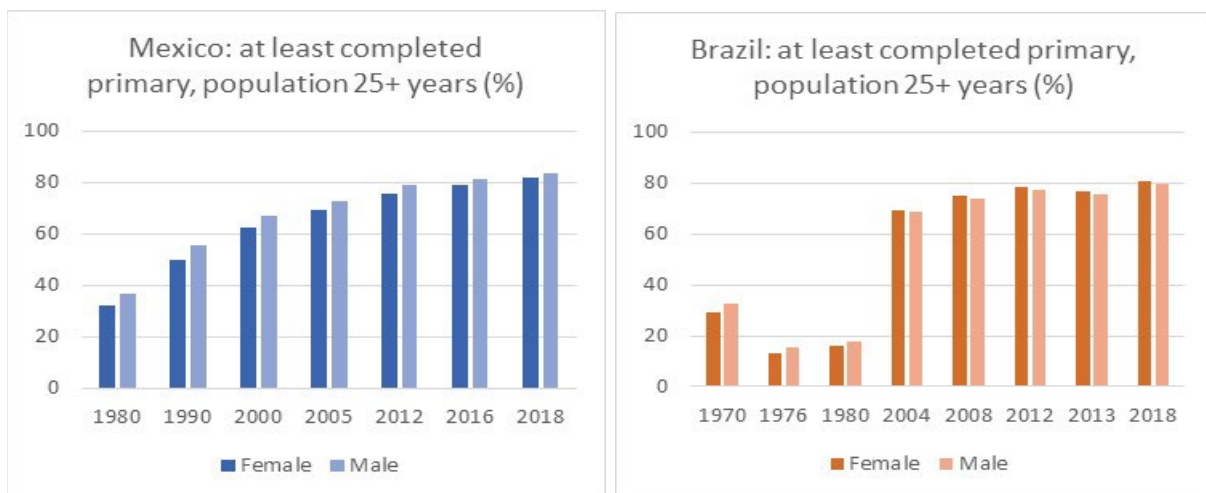


Source: Created by author based on World Bank (2021).

Figures 9 and 10 show that despite progress over time, there are still about 20 percent of the population in both countries, who did not complete their primary education in 2018. And the completion rate for completing at least post-secondary education (shown in Figures 11 and 12, respectively for Mexico and Brazil) is just around 15 percent in both countries. These low rates of tertiary education can explain the two countries’ high rates of income inequality.

Figures 9 to 12 also provide details on the educational attainment by gender. Figure 9 shows that the percentage of Mexican men completing their primary education is higher than for Mexico’s women, though the gap has been declining over time. Figure 9 illustrates that Brazil also saw more men completing their primary education in 1970, 1976 and 1980, but by at least 2004, the inverse is the case (there is unfortunately no data for Brazil for this indicator from 1981 to 2003).

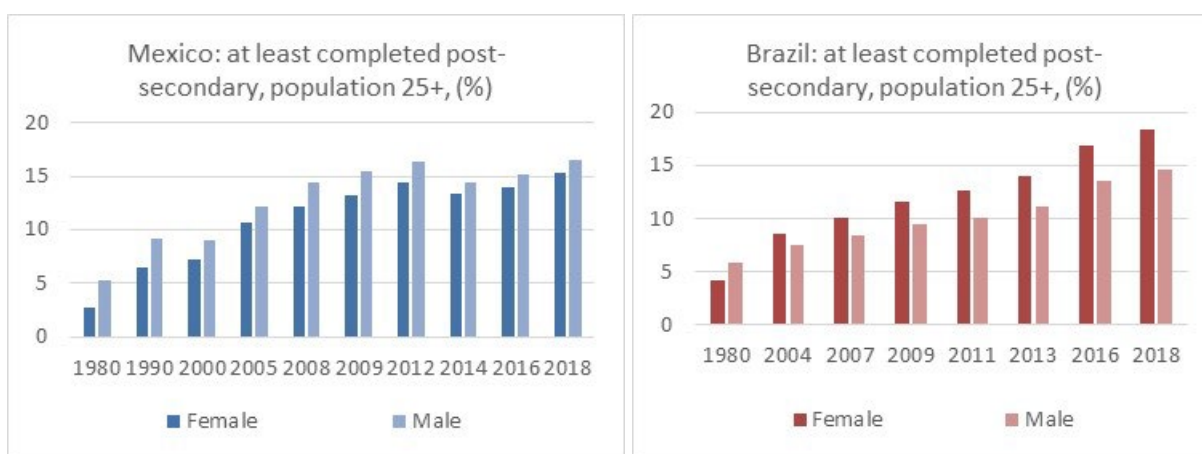
Figures 9 and 10: Females and Males Having at Least Completed Primary Education (percent of population 25+ years) in Mexico and Brazil



Source: Created by author based on World Bank (2021).

Figures 11 and 12 show the percentage of the population at least 25 years old that have completed at least post-secondary education in Mexico and Brazil, respectively. Similar to the two previous figures, Mexico and Brazil have seen an increase in educational attainment for at least post-secondary completion. In Mexico, women are still at a lower level compared to men, though the percentage of women having completed at least post-secondary education has increased over the years. However, rates have fluctuated for both Mexican men and women during the last decade. In Brazil, women had an education attainment rate at about 4 percent in 1980, whereas men had close to 6 percent. After 1980, however, women had higher rates than men, and education attainment for both men and women has increased. In 2018, 18 percent of women completed at least post-secondary education in comparison to 14 percent of men.

Figures 11 and 12: Females and Males Having at Least Completed Post-Secondary Education (percent of population 25+ years) in Mexico and Brazil



Source: Created by author based on World Bank (2021).

IV.3. Rapid Urbanization and Rural Migration

Inequality in both countries has also been attributed to rapid urbanization, especially high rural-to-urban migration. Though rural to urban migration is generally considered to be the poor people’s best hope to escape poverty,³ urbanization can increase income inequality in the short run. For example, some of the poor migrants’ lives may worsen in the short run, while those finding work will typically get higher wages than those paid in rural areas. However, in the long term, when urbanization has matured, and especially if policy measures of economic integration are adopted, inequality typically decreases. However, due to the rapid rate of urbanization (shown in Figure 13), many rural migrants are initially forced to seek shelter outside of formal urban living arrangements.

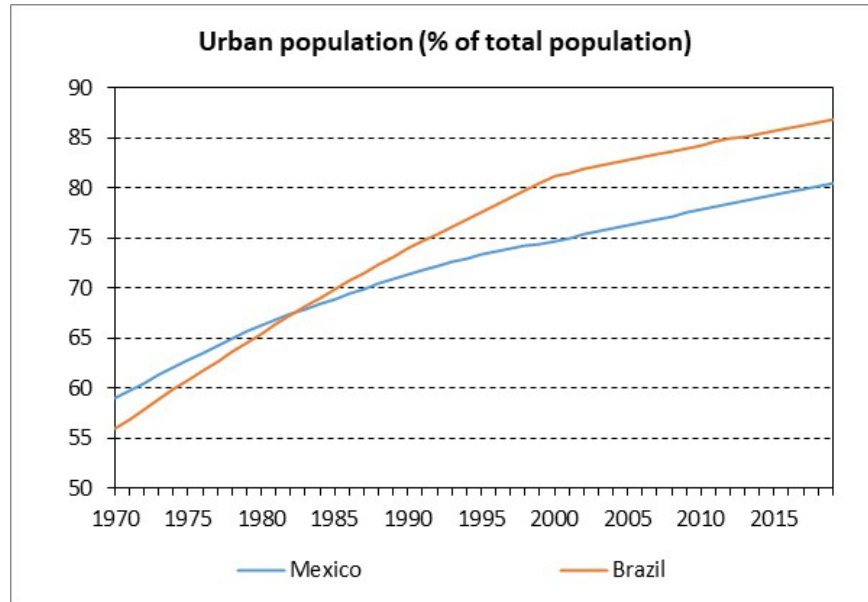
Brazil specifically is facing an issue of sustainability in terms of rapid urbanization and migration. In Brazil, *favelas* are one way of seeing the high levels of inequality within the country. *Favelas* are severely underdeveloped slums in metropolitan areas which experience below-par standards of living. In Rio de Janeiro, about “a fifth of the six million inhabitants live in several hundred *favelas*.”⁴ These slums do not have efficient sanitary systems, are constructed on faulty

³ United Nations Population Fund (2007).

⁴ Tai (2018), p. 1.

foundations with poor building materials, which provides a great risk to those living in these areas. Additionally, most *favelas* are not formally recorded on maps, creating issues for residents in accessing basic needs. Violence is also a big issue in these areas, causing further issues for the impoverished urban population.

Figures 13: Urban Population (percent of total population)



Source: Created by author based on World Bank (2021).

Similarly, Mexico has experienced similar problems in their capital of Mexico City. Netzahualcoyotl, located northeast of Mexico City, has been regarded as one of the largest slums in the world.⁵ Crime is high in this area due to increased cartel and gang presence, and many residents suffer inequalities in accessing resources compared to the wealthier areas of Mexico City. Though poverty and crime have declined in recent years, they are still a significant issue.

Due to the rapid rate of urbanization and the slowing of public service spending by the government, cities are not able to properly support rural migrants, which perpetuates poverty in cities. In Mexico, inequality and poverty is focused towards the south, which exhibits a persistent lack of investment linked to divergent development progress.⁶ In Brazil, poverty is concentrated in the north-east region of the country.⁷ Urban inequality and slums remain a challenge for the Brazilian and Mexican governments, who have tried to enact policies to reduce crime such as increasing police surveillance in Rio de Janeiro in Brazil, which did however not have much success.

V. Ethical Analysis

This ethical analysis is structured into two sub-sections. The first sub-section reviews the question if inequality is ethical based on how some philosophers, economists, and scholars have answered

⁵ Jimeno, Tornabene and Jones (2020).

⁶ Gutierrez (2020), p. 19.

⁷ Signor, Kim and Tebaldi (2019).

this question. The second sub-section reviews how Mexico and Brazil have implemented some equalizing policies.

V.1. Is Inequality Ethical?

Several philosophers have studied inequality and derived their own interpretations of the issue. There are at least four established ethical perspectives and approaches. Emanuel Kant's humanist approach is based on the premise that all humans share the right to be treated equally by virtue of being human. A different approach is based on Rousseau's social contract theory, which implies equality as people would not sign up to it if it involved inequality. Rawls (1971) concluded that inequality is justified so long as it means that the poorest person is better off than he/she would be with equality. In other words, some inequality is justified if it is instrumentally helpful in improving the position of the poorest. A very different approach is taken by libertarians (initially represented by John Locke), who argue that inequality is justified so long as the wealth was acquired legitimately.⁸

Apart from philosophers, economists usually justify inequality if it maximizes total utility, output, or income of a country. Many economists have adopted the efficacy argument which justifies a certain amount of vertical inequality. They argue that inequality is necessary in promoting competition between individuals, leading to the maximization of output within society.⁹ Conversely, a rate of inequality that is too high can damage society, reducing human capital and usually contribute to political issues within a country. This results in a decrease in the size of domestic markets, which leads to under-consumption and unemployment, both harmful to the domestic economy.¹⁰ According to Oxfam (2014), today's level of inequality has a negative effect on economic growth. Furthermore, it hinders the fight against poverty. In this light, overlooking inequality by positive economic growth does not justify inequality in the long run.

Stiglitz, Sen and Fitoussi (2009) explain why GDP per capita should not be the sole measurement of development, including that it does not address issues of equality and poverty within a country. "If inequality increases enough relative to the increase in average per capita GDP, most people can be worse off even though average income is increasing."¹¹

Indian economist Amartya Sen (1995) addresses inequality in his book *Inequality Reexamined*, in which he argues for concentrating on higher and more basic values, such as individual capabilities and freedom to achieve objectives. Through directing attention towards the efficiency of social programs in promoting individual freedoms and equal opportunities, better policies can be constructed to alleviate poverty and inequality. Sen (1995) also gives deeper analyses to discourses on gender inequalities, welfare policies, affirmative action, and public provision of health care and education.¹² The focus of eradicating inequality should be the equality of opportunities for all individuals. Some scholars have adopted a multi-dimensional view of poverty that better encapsulates the issues in order to create more effective policies.

⁸ This paragraph is based on Stewart and Samman (2014).

⁹ Stewart and Samman (2014).

¹⁰ Oxfam (2014).

¹¹ Stiglitz, Sen and Fitoussi (2009), p. 3.

¹² Wells (undated).

V.2. Solutions to Inequality?

Although there has been a significant increase in the research of the origins of inequality and its role in other societal issues, there has been less progress in identifying equalizing policies and especially in gaining political support for equalizing policies.¹³ In Mexico and Brazil, many people seem to have been dissuaded from continuing equalizing policies. Although Brazilians and Mexicans want more equality, they are less willing to accept tax policies that put higher taxes on higher incomes. Furthermore, the construction of “otherness” and the stigma toward poor individuals by wealthier social brackets in Mexico and other Latin American countries perpetuates poverty and inequality in the region.¹⁴

The minimum wage has slowly increased in Mexico over the years. In 2020, the daily minimum salary increased about 20 percent to 141.70 pesos, which translates to about US\$7.15. Though this minimum wage may help various individuals working minimum wage jobs, there has been fear that it may deter foreign investment in the country and hurt the formal job sector.¹⁵ Brazil also raised its minimum wage over the years and more so than Mexico. By the end of 2012, Brazil’s minimum wage was more than twice that of Mexico, which is even more significant due to much higher costs of the basic food basket in Mexico than in Brazil.¹⁶ However, one problem with minimum wages in both Brazil and Mexico is that minimum wage laws do typically not apply to the informal sector, where most of the poorest are working. Hence, the minimum wage increase will most likely not directly affect the poorest segment of the population in Brazil and Mexico.

Several anti-poverty programs have been implemented in Mexico and Brazil in efforts to reduce poverty and income inequality. Conditional cash transfers (CCTs), a policy directed towards secondary distribution to address vertical inequality, have been the main method of these programs. CCTs aim to reduce poverty by incentivizing recipients to invest in their own welfare, such as sending their children to school, using basic health care services, etc. The recipients receive the cash transfer after fulfilling certain requirements. This type of cash transfer differs from unconditional cash transfers, which do not place specific requirements onto recipients. Even though there has been some controversy over their effectiveness in alleviating poverty and inequality, they have contributed to some progress in Mexico and Brazil.

- *Progres*a, one of the most notorious anti-poverty programs, was created in Mexico in 1997. Because of the Mexican economic crisis of 1995, the country experienced major increases in poverty due to the devaluation of the peso. Because of this, the government decided to create a social program to address the severe impact of this crisis on poverty. The program was later renamed *Oportunidades* and most recently, *Prospera*. These programs attempted to address education, health, and nutrition within Mexico. The programs are reported to have doubled the per capita healthcare visits in rural communities.
- Brazil’s *Bolsa Familia* is a CCT program that offers cash transfers to families rather than individuals and targets the poorest families. This program lifted many Brazilians out of poverty during the 2000s and focuses on increasing immunization and educational attendance for children. The program offers cash transfers to 46 million people in Brazil,

¹³ Stewart and Samman (2014).

¹⁴ Villalpando (2021).

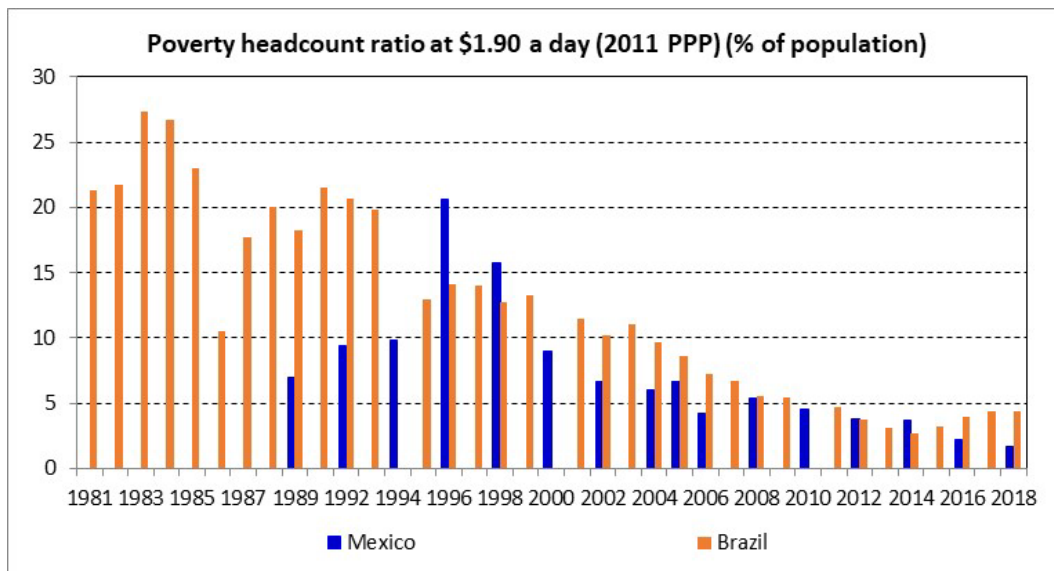
¹⁵ Reuters Staff (2020).

¹⁶ Carrera Troyano and Domínguez Martin (2017), p. 37.

or one in every four families, with a fourth of the recipients being Afro-Brazilian and more than half being women.¹⁷

Figure 14 displays the evolution of the poverty headcount ratio at \$1.90-a-day (which is the international measure for extreme poverty) for Mexico and Brazil. Though both countries have seen a significant decline in extreme poverty since the late 1990s, Brazil's ratio has increased slightly in recent years from 2.7 percent of the population in 2014, to 4.4 percent in 2018. In Mexico, however, extreme poverty decreased continuously since 2008, decreasing from 5.4 percent in 2008 to 1.7 percent in 2018. The poverty headcount ratio at \$3.20-a-day (shown in Figure 15 on the next page) has followed a similar pattern as the \$1.90 a day indicator in both countries. As of 2018, 6.5 percent of Mexico's population and 9.1 percent of Brazil's population lived in moderate poverty.

Figure 14: Poverty Headcount Ratio at \$1.90-a-day (2011 PPP) (percent of population), all available years



Source: Created by author based on World Bank (2021).

Economic growth has disproportionately benefited high-income individuals, which has perpetuated income inequality. Because of this, creating a tax policy which fairly addresses the income inequality may aid in the fair distribution of wealth among individuals. In many instances, the poor contribute more of their income to taxes while the wealthiest individuals use loopholes in order to evade taxes. The Panama and Pandora Papers are prime examples of the evidence of tax evasion by wealthy individuals, especially in Mexico and Brazil.¹⁸

Racial inequality plays a heavy role in the access to opportunity in both Mexico and Brazil.¹⁹ Though racial inequality is apparent in Mexico, there are different dynamics in Brazil. In 1888, Brazil was the last country in the Western world to abolish slavery. The remnants of this system

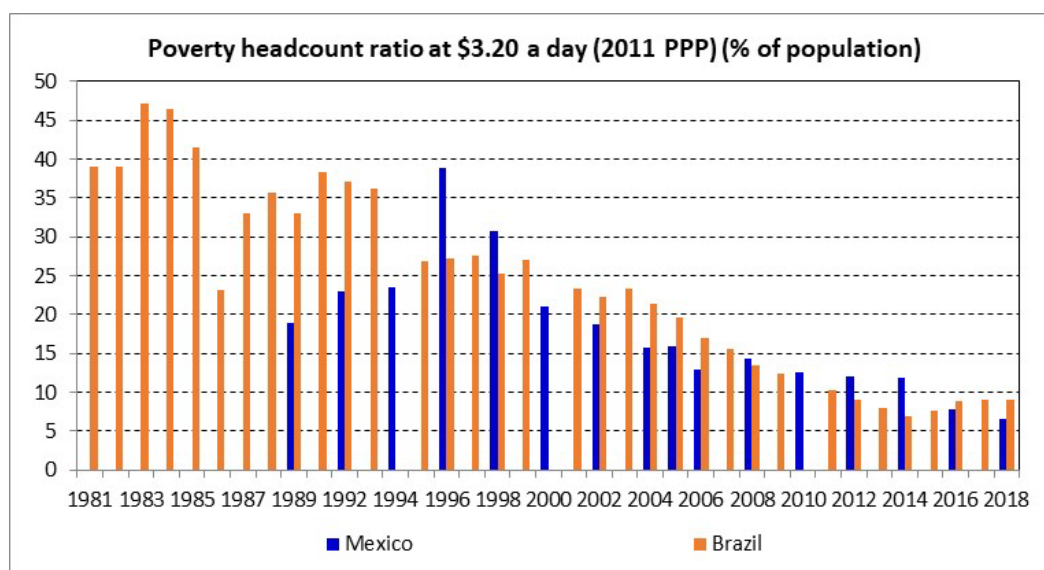
¹⁷ Centre for Public Impact (CPI) (2019) and Wetzel and Econômico (2013).

¹⁸ Gladstone (2021).

¹⁹ Monroy-Gómez-Franco, Vélez-Grajales and Yalonetzky (2021).

and hierarchy are still apparent in Brazilian society, with a majority of the most impoverished Brazilians being of African descent.²⁰ According to Oxfam (2019), at the current pace of progress in Brazil, black Brazilians will reach wage equality with white Brazilians in 2089. In Mexico, indigenous populations are treated inferior to lighter skinned or white Mexicans and are more concentrated in rural areas of the country.

Figure 15: Poverty Headcount Ratio at \$3.20-a-day (2011 PPP) (percent of population), all available years



Source: Created by author based on World Bank (2021).

Furthermore, COVID-19 has presented many obstacles to reduce poverty and inequality in Mexico and Brazil. Though progress has been made in recent years, COVID-19 has drastically affected the rate of poverty and inequality throughout the world.²¹ Brazil specifically was greatly affected by the pandemic due to policy decisions made by the Bolsonaro administration, which took a lax approach to the pandemic, which resulted in a high death toll in Brazil and pushed many into poverty.²²

VI. Conclusion

As this article has shown, many factors play a role in inequality in Mexico and Brazil. Inequality in both countries is still a major issue, although GDP per capita has increased significantly since the 1980s. The groups most affected by inequality are usually marginalized due to their race, class, or gender. Class plays a significant role in inequality since it is much harder for the poor to have access to basic needs and have the same opportunities as those in higher classes. Furthermore, generational wealth can determine the opportunities an individual can access, severely limiting them or giving them an advantage over others.

²⁰ Pereira (2016).

²¹ Yonzan et al. (2022).

²² Malta, Murray, da Silva and Strathdee et al. (2020).

In Mexico, there are rigid gender roles which affect women's access to education and formal work. Additionally, indigenous groups are treated as inferior compared to mestizos or whites. In Brazil, race is a large issue due to the country's history with the slave trade, leaving many Afro-Brazilians at a social and economic disadvantage. Educational attainment has been fundamental in the path towards inequality reduction according to many scholars. Mexico and Brazil have both experienced increased rates of education attainment, especially in the 2000s. While Brazil has reached gender equality in educational attainment (women have actually higher educational attainment today than men), Mexico continues to lack gender equality in education. Though race plays a lesser role in overall equality than education, it is necessary to take race into account when constructing effective policies and attitudes towards inequality reduction.

The rapid increase in urbanization and rural migration have also contributed to inequality specifically in cities. This affects the urban level of poverty since migrants cannot afford to live in safe and sanitary housing within urban areas. Crime and violence are also issues in these poor neighborhoods.

Inequality remains a persistent issue in Mexico and Brazil, despite efforts to implement social programs to mitigate socioeconomic issues. *Progreso* in Mexico and *Bolsa Familia* in Brazil are two of the most notable conditional cash transfer programs that did make significant progress in poverty and inequality reduction in the 2000s. Since then, however, inequality and poverty reduction has not significantly declined. The wealthiest 10 percent of the population continue to earn significantly more than the bottom 20 percent and only about 15 percent of the population have completed at least post-secondary education in both countries. This perpetuates inequality in both Mexico and Brazil and may also contribute to higher corruption and lobbying power by the wealthy to enact policies that benefit the wealthy and hurt the poor.

Finally, COVID-19 has presented the world with several obstacles, including pushing tremendous amounts of people into poverty and increasing inequality throughout the world.²³ It is imperative for Mexico and Brazil to continue research into the current factors that affect inequality in their countries and pursue progressive policies to enact greater change.

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