

Inequality: Chile's Real Position

During this election year, the slogan “Chile is the most unequal country in the world” has regained strength in political campaigns and speeches. ECLAC’s last official figures deny it: the 2011 Gini coefficient and the 20/20 Initiative figures indicate that Chile is in the regional mean. Moreover, methodological adjustments to make data from different countries comparable, further improve Chile’s relative position. At this point, it is a key factor to correct the diagnosis in order to design public policies in accordance with the actual conditions.

A wrong diagnosis is one of the main dangers when defining public policies, since it can entail the investment of considerable public funds for solving a problem that never existed or, still worse, to deteriorate a situation that was intended to be solved. This is the situation in the current debate on inequality in Chile, where we are surprised to find such a wide dissemination level for a groundless statement, and because it has been so often repeated, people have started to use it as if it was true: Chile is one of the most unequal countries in the world.

During this election year, political campaigns have heavily clung to this concept; therefore, it is important to revise the official figures, which reveal significant progress in this matter.

The access to health and primary and secondary education are universal and the access to higher education reaches over 70% of the students who graduate from secondary school, a figure comparable to those of the most advanced countries in the world. If achievements are not acknowledged, it is impossible to move forward, since it implies a lack of clarity or agreement in the objectives we wish to achieve.

Unfortunately, the debate has been focused only in a couple of indicators published by prestigious international organisms, which then again are inaccurately quoted. Additionally, they do not take into account the fact that figures are not comparable among countries, due to multiple methodological differences in their construction.

Still, these figures are usually presented erroneously, since in fact they do not place Chile among the most unequal countries of the world, not even of our region.

Table 1

GINI COEFFICIENT IN LATIN AMERICA

Ranking	Country	Gini	Year
1	Guatemala	0.585	2006
2	Honduras	0.567	2010
3	Brazil	0.559	2011
4	Dominican Republic	0.558	2011
5	Paraguay	0.546	2011
6	Colombia	0.545	2011
7	Panama	0.531	2011
8	Chile	0.516	2011
9	Bolivia	0.508	2009
10	Costa Rica	0.503	2011
11	Mexico	0.481	2010
12	Nicaragua	0.478	2009
13	Ecuador	0.46	2011
14	El Salvador	0.454	2010
15	Peru	0.452	2011
16	Uruguay	0.402	2011
17	Venezuela	0.397	2011

Source: ECLAC

Table 1 shows the most recently available inequality Gini coefficient for the Latin American and Caribbean countries published by ECLAC. Similarly, Table 2 shows the inequality 20/20 index, also published by ECLAC. In Table 1, we observe that Chile is located in the middle of the region's inequality ranking, while in Table 2, it is located in the second half.

Income Adjustments based on National Accounts

The inequality measurements published by international organisms use data collected from income surveys, which have different designs and objectives in each country. Székel and Hilgert (1999)ⁱ explore the impact of methodological differences on the data processing system, thereby concluding that most of the inequality measurement differences in Latin America are due to the way data are produced and treated, and not to genuine differences in their income distribution.

Furthermore, in Chile, the survey collected information is adjusted to make it consistent with the National Accounts. This adjustment is not made in other Latin American countries or the rest of the world; it is neither a

standard nor widely accepted methodology, and most important, it artificially distorts the inequality figures.

Table 2

INEQUALITY 20/20 INDEX IN LATIN AMERICA

Ranking	Country	20/20 Index	Year
1	Dominican	25.7	2011
2	Republic	25.2	2010
3	Honduras	23.9	2006
4	Guatemala	22	2011
5	Brazil	21.3	2011
6	Paraguay	20.5	2011
7	Colombia	20.3	2011
8	Panama	19.8	2009
9	Bolivia	16.8	2011
10	Costa Rica	15	2011
11	Chile	14.5	2009
12	Nicaragua	13.3	2010
13	Mexico	12.8	2011
14	Peru	12.4	2011
15	Ecuador	11.4	2010
16	El Salvador	9.1	2011
17	Venezuela	8	2011
	Uruguay		

Source: ECLAC

Bravo and Valderrama (2011)ⁱⁱ calculate the Gini coefficient for Chile using the original data from the CASEN Survey 2006, not adjusted by national accounts, as in the rest of the Latin American countries. They find that Chile's Gini index 2006 drops from 0.522 to 0.488 and that, among 17 Latin American countries, Chile holds position number 15. In other words, the sole fact of considering this aspect to make Chilean data more comparable to other countries, shows us that Chile is actually the country with the third most even income distribution in the region.

Conclusion

Political campaigns and other public stakeholders repeat over and over again that the income inequality in Chile is the worst in the world and that no progress has been made at all in the last decades. The official figures deny it. At regional level, ECLAC records that Chile is ranked in the regional mean both in the Gini coefficient and the 20/20 index. Methodological adjustments to make data from different countries comparable improve the country's relative position; therefore, correcting the diagnosis is a key factor for designing good public policies.

In brief...

INEQUALITY AND METHODOLOGICAL ADJUSTMENTS

- During this election year, political campaigns have clung to the concept of high inequality in our country.
- According to ECLAC, in relation to the Gini coefficient, Chile is located in the middle of the ranking, while in the 20/20 index it is in the second half.
- David Bravo and José A. Valderrama calculate the Gini coefficient for Chile using the original data collected from the CASEN Survey 2006, not adjusted by national accounts, as in the rest of the Latin American countries. They find that Chile's index drops from 0.522 to 0.488 and that, among 17 Latin American countries, Chile holds position number 15. Thus, our country has the third most even income distribution in Latin America.

ⁱ Szákely, M. and Hilgert, M. What's behind the Inequality we Measure? An investigation using Latin American data, Working Paper Series N° 409, Research Department, Inter-American Development Bank, Washington D.C., 1999.

ⁱⁱ Bravo, D. and Valderrama, J. The Impact of Income Adjustments in the CASEN Survey on the Measurement of Inequality in Chile. Estudios de Economía, Vol. 38, N° 1, 2011, p. 43-65.