
Preface and Acknowledgments

As a cofounder of the Center for Global Development, which was established just over five years ago, I was determined that the Center tackle the problem of inequality in the world—of income, wealth, opportunity, and access to health and education—both between and within countries. Until very recently, students of development have put much more energy into understanding the causes and consequences of absolute poverty than of inequality. But globalization, with its new opportunities for generating winners and losers and its new insecurities and competitive pressures, is changing that. Nowhere is the issue of inequality more worrying than in Latin America, the setting of many of the world’s most unequal societies.

This book presents a dozen ideas, or “tools,” meant to make life in Latin America more equitable and fair for the great majority of its people—not only for the rich, a small elite, but also for the rest. As a coauthor of this book and as president of the center I have been extraordinarily fortunate to have had as a partner in its conception Peter Hakim and as a partner in its production the institution that he leads, the Inter-American Dialogue. In its own work the dialogue hews to the premise that business, government, and civil society leaders in North, South, and Central America can work together to build a consensus on key economic, social, and political issues that will serve their mutual interests.

The seeds of this 2007 book were sown in the late 1990s, when Peter and I talked about the tough challenges presented by poverty and inequality in Latin America. We collaborated in setting up a group of academics, policy experts, businessmen and –women, and former officials from across the hemisphere with the objective of developing a practical and visible agenda to address those problems. A product of the resulting discussions was *Washington Contentious: Economic Policy for Social Equity in Latin America*, published in 2001 by the Carnegie Endowment for International Peace, where I was then a senior associate, and the Inter-American Dialogue. The title of the book, which was written by Augusto de la Torre, a key member of the original expert group, and me, was meant to signal the difference between the objectives of stability and efficiency, which were at the heart of the so-called Washington Consensus reforms, and our objective: social equity.

The book was sufficiently popular and useful that it was soon out of print. Although since then Latin America has enjoyed almost five years of reasonably good growth, benefiting from an unusually benign external environment, only modest progress has been made in reducing the number of poor people in the region (still upward of 200 million). In many countries, already high income inequality has risen further. Whether despite or because of globalization and the Washington Consensus reforms, the failure to achieve a breakthrough on poverty and inequality has taken a toll—in lost opportunities for better lives for millions of people and in growing political resistance to deepening critical market reforms. Voters in Venezuela, Bolivia, and Ecuador (and almost those in Mexico and Peru) have turned in frustration to leaders who have promised to finally deliver social justice—leaders with good intentions but in some cases with fundamentally counterproductive policy ideas.

Augusto and I, along with Rachel Menezes, who had worked with us on *Washington Contentious*, decided that it was time to update and deepen our analysis to put a clearer emphasis on fairness and social justice as a fundamental objective of good economic policy. We believe that fairness in economic policy can be fully consistent with growth. We do not want justice, fairness, and equity to be monopolized as political and economic ideals by one side of the ideological aisle. Thus our title, *Fair*

Growth. We also wanted to rethink our analysis to focus not only on the 40 percent of the “poor” in the region but also on the additional 30 percent of working-class and middle-income Latin Americans living in many countries on less than US\$10 a day. New analysis suggests that the poor and middle-income majority has not benefited from the growth and market reforms of the last fifteen years, either because they lack skills or because they lack new job and income opportunities that could use and extend their skills. Thus our subtitle: *Economic Policies for Latin America’s Poor and Middle-Income Majority.*

Our objective in this book is to encourage real change in Latin America and new understanding and support for that change in North America and the rest of the rich world. Change and reform to promote greater fairness requires not only political leadership and technical know-how on the part of the region’s government officials and legislators but also support and input from the business community throughout the Americas, from an increasingly vocal and effective civil society, and from students and intellectuals. In the hope that members of all those groups will turn to our dozen equity or fairness tools, we have made an effort to write in a manner that is easily accessible as well as technically sound.

In addition, for those interested in the strong evidence that grounds our analysis, we have provided extensive endnotes that include more detail on the points that we raise and citations to the studies on which we have relied. We hope that this approach makes our book especially appealing to a new generation of students in Latin America and students of Latin American economics and politics.

I extend my personal thanks to my coauthors, Augusto and Rachel, for their intellectual energy and hard work and the spirited conversations that we have had. Together we thank William Cline and John Williamson for their close reading of an earlier draft and their careful comments on it. We are grateful to Carola Pessino and Ricardo Fenochietto for their help with our discussion of tax reform, to John Nellis for comments on privatization, and to Jeffrey Puryear and Tamara Ortega Goodspeed for answering many questions about the details of education policy in the region. We thank Vito Tanzi, Vicki Perry, Eduardo Lora, Isaias Coelho, and Michael Walton for their help during our early discussion of fairness in taxation,

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In 2006 we presented an early draft of the manuscript to the members of the Inter-American Dialogue at the Sol Linowitz Forum. Their enthusiasm inspired us, and their many suggestions led to substantial revisions. We would like to thank in particular Peter Bell, Carla Hills, David De Ferranti, Guillermo Perry, Beatriz Merino, Epsy Campbell Barr, Roberto Teixeira da Costa, Peter McPherson, Joyce Chang, Yolanda Kakabadse, Darren Schemmer, Nora Lustig, Robert Hart, Jennifer McCoy, Sonia Picado, Earl Jarrett, John McCarter, Oliver Clarke, Roberto Murray-Meza, Beatriz Nofal, Jesús Silva-Herzog, Paula Stern, Jaime Zabludovsky, Claudio Loser, José Octavio Bordón, Jan Boyer, José María Dagnino Pastore, Everett Eissenstat, Thomas Mackell Jr., and Marta Lucía Ramírez de Rincón.

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Cooperation Agency (SIDA) for their support to the Inter-American Dialogue for this project. I and my coauthors look forward eagerly to a serious round of advocacy of our fairness agenda through our many partners in the development community and in Latin America.

NANCY BIRDSALL
President

Center for Global Development
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