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LATIN AMERICAN CLASS STRUCTURES: Their Composition and Change during the Neoliberal Era¹

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Abstract: This article proposes a framework for the analysis of social classes in Latin America and presents evidence on the composition of the class structure in the region and its evolution during the last two decades, corresponding to the years of implementation of a new economic model in most countries. The paper is an update of an earlier article on the same topic published in this journal at the end of the period of import substitution industrialization. Relative to that earlier period, the present era registers a visible increase in income inequality, a persistent concentration of wealth in the top decile of the population, a rapid expansion of the class of micro-entrepreneurs, and a stagnation or increase of the informal proletariat. The contraction of public sector employment and the stagnation of formal sector labor demand in most countries have led to a series of adaptive solutions by the middle and lower classes. The rise of informal self-employment and micro-entrepreneurialism throughout the region can be interpreted as a direct result of the new adjustment policies. We explore other, less orthodox adaptive strategies, including the rise of violent crime in the cities and migration abroad by an increasingly diversified cross-section of the population. The impact that changes in the class structure have had on party politics and other forms of popular political mobilization in Latin American countries is discussed.

During the last decade of the twentieth century, Latin America experienced a momentous change as country after country abandoned the autonomous industrialization path advocated by its own intellectuals of an earlier period and embraced a new model of development based on open economies and global competition. Neoliberalism, as this model is dubbed, is actually a throwback to an earlier era when Latin American countries participated in the world economy on the basis of their differential advantages as producers of primary goods while importing manufacturers and technology from the industrialized world. It was the vulnerability of those export economies to the ups and downs of external markets that the

1. We thank Emilio Klein for assistance in our preliminary assembling of data for this paper and Peter Evans, William Smith, and Susan Eckstein for their comments on an earlier version of the paper. Responsibility for the contents is exclusively ours.

neo-Keynesian import substitution policies of the mid-twentieth century were designed to overcome (Prebisch 1950; Furtado 1970).²

The policies advocated by the resurrected liberal orthodoxy and the "Washington consensus" that gave it ideological momentum have been described at length in the contemporary social science literature (Sunkel 2001; Robinson 1996; Portes 1997). So have the consequences of these policies, in terms of both economic growth and social equity (Filgueira 1996; Roberts 2001; de la Rocha 2001). Less studied have been the effects of this profound re-orientation of Latin American countries on their social structures and, in particular, their long-term patterns of social stratification. The class structure of these societies could not and has not remained impervious to these major changes in their productive organization and global trade patterns. While international organizations such as the International Labour Office (ILO) and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) have tracked the evolution of poverty and inequality in the region, their analytic approach has precluded them from analyzing these trends from a systematic class perspective (ECLAC 2000; ILO 1999).

The concept of class is commonly excluded from these official publications because of its Marxist origin and consequent evocation of notions of conflict, privilege, and exploitation (Grusky and Sorensen 1998; Wright 1997). Yet its omission obscures significant aspects of contemporary social dynamics and deprives us of a valuable analytic tool. In this paper, we seek to correct this shortcoming by re-introducing an explicit class framework in the analysis of contemporary Latin American societies, providing empirical estimates of its various components, and examining how they have varied across countries and over time. This analysis can be read as an explicit extension and revision of an earlier article, published in this journal eighteen years ago, that sought to map the class structure of Latin American societies at the very end of the import substitution period (Portes 1985).

CLASS STRUCTURES IN CENTER AND PERIPHERY

The concept of social class refers to discrete and durable categories of the population characterized by differential access to power-conferring resources and related life chances. In capitalist societies, such class-

2. In addition to the raw materials and foodstuffs that were Latin America's basic export commodities in an earlier era, the contemporary export model highlights industrial exports, generally produced by multi-national subsidiaries and other foreign-owned firms in export-processing zones. The forms adopted by this novel insertion of peripheral countries in global commodity chains have been discussed at length by Gereffi (1989, 1999), Castells (1998; Castells and Laserna 1989) and Korzeniewicz and Smith (2000).

defining resources are explicitly tied to markets and the ability of individuals to compete effectively in them (Weber [1922] 1965; Veblen [1899] 1998; Mills 1959). While orthodox Marxist theories commonly constrained class resources to the possession of capital and the means of production versus ownership of raw labor, recent theories have adopted a more flexible approach encompassing other power-conferring resources such as control over the labor of others and possession of scarce occupational skills (Grusky and Sorenson 1998; Wright 1985; Carchedi 1977; Poulantzas 1975).

The common advantage of class analysis, both classic and contemporary, is its focus on the causes of inequality and poverty and not just its surface manifestations, as commonly done in standard official publications. Classes are also central for understanding the long-term strategic relations of power and conflict among social groups and the forms in which these struggles shape the relative life chances of its members (Dahrendorf 1959; Hout, Brooks, and Manza 1993; Portes 2000). In exploring the class structure of particular societies, the analyst seeks to uncover not only those key social aggregates defined by common life chances, but also the ways in which some groups consciously attempt to stabilize the social order in defense of their privileges and in which other groups seek to subvert it in order to improve their lot. This focus leads directly into the analysis of politics and political mobilization (Hall 1997).

Systematic analyses of the class structure of the advanced societies have been based on the fundamental criteria of control over the means of production, control over the labor of others, and control over scarce intellectual assets. Based on these criteria, such authors as Wright (1985, 1997), Goldthorpe (2001), and Clark and Lipset (1991) have sought to map the basic configuration of classes in the United States, the United Kingdom, and other European countries. Latin America is different from the advanced societies in that a significant proportion of the population is not incorporated into fully commodified, legally regulated working relations, but survives at their margin in a wide variety of subsistence and semi-clandestine economic activities. These are generally referred to as the informal sector (Bromley 1978; Roberts 1989; Tokman 1987).

In Marxist terms, the difference between the global economic centers and the peripheries, such as Latin America, lies in the imperfect development of modern capitalist relations in the latter and, hence, the coexistence of different modes of production—modern, petty entrepreneurial, and subsistence. For a number of authors in this tradition, the articulation between these various modes of production provides the key for understanding the dynamics of peripheral capitalism and the emergence of unequal exchange between colonies and

semi-colonies and the global capitalist centers (Luxembourg 1951; Emmanuel 1972; Hopkins and Wallerstein 1977; Wolpe 1975).³

Regardless of whether this or another theoretical framework is employed, the fact remains that social classes such as the “proletariat” can be defined as relatively homogenous entities in the advanced societies while, in the periphery, they are segmented by their limited incorporation into the fully monetized, legally regulated economy. Wallerstein (1976, 1977) refers to workers only partially incorporated into modern capitalist relations as the semi-proletariat, although small entrepreneurs can also be found on both sides of this structural divide (Capecci 1989; Roberts 1978).

Juxtaposing class-defining criteria in the advanced societies with the structural conditions found under peripheral capitalism yields the array of class assets presented in the top row of table 1. By noting whether individuals have access (+) or not (-) to each of these assets, we can arrive at a typology of the basic class structure of Latin American societies. The typology follows a Guttman-like logic in which each successively inferior class is defined by the lack of one or more of the resources available to its predecessors. The scheme yields a six-fold classification whose characteristics are described next.

LATIN AMERICAN CLASS STRUCTURES DURING THE NEOLIBERAL ERA⁴

As in the advanced countries, the dominant social classes in Latin America are defined by control of key power-conferring resources in the capitalist market. Owners of large-scale means of production sit atop the class structure. This group, labeled capitalists, is operationally defined as large and medium-sized employers in private firms. Estimates based on household surveys representing three-fourths or more of the total Latin American population indicate that the size of this class fluctuates between 1 and 2 percent of the economically active population (EAP) in every country (ECLAC 2000, 63).

3. This topic—the articulation of modes of production and its consequences for the structure of peripheral societies—was discussed at length in Portes’ (1985) earlier article on Latin American social classes.

4. Readers familiar with the 1985 article will notice several differences with the present conceptualization of social classes. These differences reflect both a reassessment of the original typology on the basis of the more refined data available at present and the very changes that have occurred during the last two decades in Latin America. For example, the available data allow a distinction between senior executives and university professionals that was not possible with the previously available series. On the other hand, the class of petty entrepreneurs, which during the import substitution industrialization period could be safely confined to the informal sector, has become much more heterogeneous as it evolved into a refuge for professionals and skilled workers displaced from formal sector employment. These changes are discussed in the following sections.

Senior executives are top-level administrators of large and medium private or public firms and state institutions. While lacking direct ownership of capital, senior executives run sizable organizations controlling large, bureaucratically organized labor forces. Next to employers, they commonly receive the highest average incomes. The available estimates put the size of this class as between 1 and 5 percent of the EAP in different Latin American countries. The next class echelon is occupied by professionals, defined as university-trained elite workers employed by private firms and public institutions to staff positions of high responsibility. They neither control large amounts of capital nor command large number of workers, but derive their advantaged position from scarce expertise required by corporations and government agencies. Estimates of the relative presence of professionals in their countries' respective population go as high as 10 percent, but for the entire region they represent no more than 5 percent of the EAP according to most recent surveys (ECLAC 2000, 64–5).

Jointly, large and medium employers, senior executives, and professionals comprise the dominant classes in all Latin American countries (with the exception of Cuba). As will be discussed, their remunerations far exceed the average in their respective nations although they come in different forms: capitalists receive profits, executives earn salaries and bonuses tied to profits and performance of the organizations they lead, and professionals receive salaries commensurate with the value and scarcity of the expertise they command. While the relative presence of these classes fluctuates among specific countries, for Latin America as a whole, they represent approximately 10 percent of the EAP. This decile can be confidently expected to be at the top of the regional and national income distributions.

The next social class corresponds to the classic Marxist description of the "petty bourgeoisie" except that, in peripheral societies, it assumes a distinct form. This form is dictated by the superimposition of modern capitalist and various informal modes of economic organization. The principal characteristics of this group—commonly labeled micro-entrepreneurs—is the possession of some monetary resources; some professional, technical, or artisanal skills; and the employment of a small number of workers supervised on a direct, face-to-face basis.

In Latin America, the class of microentrepreneurs has traditionally performed the function of linking the modern capitalist economy, led by the preceding three classes, with the mass of informal workers at the bottom of the labor market. Microentrepreneurs organize this labor to produce low-cost goods and services for consumers and low-cost inputs subcontracted by large firms. Several authors have argued that this function represents a key factor, accounting for both the survival of the poor and the continuation of the capital accumulation process as it takes

TABLE 1 *The Latin American Class Structure**

<i>Class</i>	<i>Sub-types</i>	Control of capital and means of production	Control of impersonal, bureaucra- tically- organized labor force
I. Capitalists	Proprietors and managing partners of large/medium firms	+	+
II. Executives	Managers and administrators of large/medium firms and public institutions	—	+
III. Elite Workers	University- trained salaried professionals in public service and large/ medium private firms	—	—
IV. Petty bourgeoisie	Own-account professionals and technicians, and micro entrepreneurs with personally- supervised staff	+	—
Va. Non-manual formal proletariat	Vocationally- trained salaried technicians and white-collar employees	—	—

<i>Defining Criteria</i>					
	Control of scarce, highly- valued skills	Control of subsidiary, technical- administra- tive skills	Protected and regulated under the law	Mode of remunera- tion	% of labor force*
	+	+	+	Profits	1.8
	+	+	+	Salaries and bonuses tied to profits	1.6
	+	+	+	Salaries tied to scarce knowledge	2.8
	+/_	+	+/_	Profits	8.5
	—	+	+	Salaries subject to legal regulation	12.4

TABLE 1 (continued)

Class	Sub-types	Control of capital and means of production	Control of impersonal, bureaucratically-organized labor force
Vb. Manual formal proletariat	Skilled and unskilled waged workers with labor contracts	—	—
VI. Informal proletariat	Non-contractual waged workers, casual vendors, and unpaid family workers	—	—

* Weighted average of data from eight Latin American countries that jointly comprise three-fourths of the regional economically active population. These countries are

place in these peripheral economies (Birkbeck 1978; Fortuna and Prates 1989; Portes and Walton 1981).

During the 1990s, the petty bourgeoisie assumed a novel role in Latin America as a place of refuge for public servants, salaried professionals, and other skilled workers displaced by the adjustment policies promoted by the neoliberal model (Sunkel 2001). As we will see next, public sector employment, which constituted the backbone of the urban middle class in many countries, declined significantly during the last decade. This loss was not compensated by growth in formal private employment, forcing displaced former employees to create their own economic solutions through petty enterprise. As a result, this form of economic adaptation has become the major source of employment creation in the region. In 1998, microenterprises accounted for 100 percent of all new urban jobs (Klein and Tokman 2000, 17). Between 1990 and 1998, of every 100 new urban jobs, 30 were created in small enterprises and another 29 in self-employment, proportions vastly larger than those registered during the years of import-substitution industrialization (ILO/Lima 2000; Klein and Tokman 2000).

The formal proletariat corresponds to workers in industry, services, and agriculture who are protected by existing labor laws and covered by legally mandated systems of health care, disability, and retirement.

<i>Defining Criteria</i>				
Control of scarce, highly-valued skills	Control of subsidiary, technical-administrative skills	Protected and regulated under the law	Mode of remuneration	% of labor force*
—	—	+	Wages subject to legal regulation	23.4
—	—	—	Unregulated wages, irregular profits, non-monetary compensation	45.9

presented in table 2. Figures do not add to 100 percent because 3.6 percent of workers were reported as "unclassified."

This class can be divided, in turn, into an upper-echelon composed of salaried white-collar workers and technicians and a lower one composed of blue-collar industrial and service workers and rural laborers in modern agricultural enterprises. Jointly, this class represented approximately 35 percent of the Latin American regional EAP in 2000 although, as will be shown below, the figure varied widely among countries.

During the import-substitution era, formal employment grew steadily, although it never succeeded in absorbing the bulk of the Latin American labor force (PREALC 1990; Pérez-Sainz 1992; Roberts 1989). Between 1950 and 1980, 60 percent of all new employment was created in the formal sector, with government being responsible for 15 percent and modern large and medium enterprises for the remaining 45 percent (Klein and Tokman 2000, 18). During the 1990s, the situation changed drastically, with the modern formal sector reducing its share of employment creation to 20 percent and the government sector actually shrinking. As a result, the class of formal workers did not expand, as had been the case in the past, but remained stagnant or actually declined in many countries (ECLAC 2000, 67–8).

Most accounts of the class structure of the advanced societies end with the formal proletariat, defined as the class that lacks access to the means of production and has only its own labor to sell (Wright 1997;

Grusky and Sorensen 1998). In Latin America, as in other peripheral regions, this account would be incomplete because of the presence of a vast mass of workers excluded from the modern capitalist sector who must procure a living through unregulated employment or direct subsistence activities (Tokman 1982; Lomnitz 1977). In the 1960s, this class of workers was termed the "marginal" mass to denote their exclusion from the modern economy (Nun 1969; Germani 1965). Subsequent research documented the links of these workers with the modern economy and the manifold ways in which their activities contributed to capitalist accumulation (Benería 1989; Peattie 1982; Roberts 1976; Birkbeck 1978).

One of these ways is furnishing the labor force for the firms organized by microentrepreneurs who, in turn, supply low-cost goods and services to consumers and cheap inputs to formal sector enterprises (Castells and Portes 1989). For this reason, this class is best labeled the informal proletariat. Operationally, it is defined as the sum total of own account workers (minus professionals and technicians), unpaid family workers, domestic servants, and waged workers without social security and other legal protections in industry, services, and agriculture. The vast majority of labor in microenterprises is informal, but there are also informal workers in large and medium firms. These are mostly temporary workers hired off the books and without written contracts (ILO/LIMA 2000).

The evolution of the informal proletariat in Latin America represents the exact obverse of its formal counterpart. The proportion of informal workers shrank, slowly but steadily, during the period of import-substitution industrialization. The modern sector generated the majority of new employment during this period, but it was insufficient to absorb a rapidly growing labor force. As a result, a large but declining informal working class existed during that era. The period of neoliberal adjustment has witnessed a contraction of formal employment as the public sector shrank and the modern industrial sector was ravaged by cheap imports under the new "open markets" doctrine (Sunkel 2001; Díaz 1996). As a result, the informal proletariat did not continue its decline, but grew during the last decade.

According to the ILO, informal employment amounted to 44.4 percent of the Latin American urban EAP in 1990 and 47.9 percent in 1998 (ILO/LIMA 2000); ECLAC provides similar figures. The rise of the informal proletariat is reproduced in almost every country of the region and is interpretable as a popular counterpart to the "forced entrepreneurialism" foisted on former salaried employees by the new economic policies. A sizable proportion of the informal working class is formed by own account workers—vendors and other low-skilled personnel forced to survive through the least remunerative forms of enterprise.

MEASURING THE LATIN AMERICAN CLASS STRUCTURE

As noted already, official statistics neither use the term *social class*, nor report figures based on it. For this reason, it is not possible to arrive at precise estimates of the size and evolution of the different classes on the basis of census figures. In recent years, various international agencies have been conducting studies of the informal sector in Latin American countries that produced useful approximations to the informal working class (PREALC 1989, 1990). More importantly, ECLAC has carried out a detailed study of occupational and income stratification in eight Latin American countries that jointly contain 73.5 percent of the region's population. The detailed occupational tabulations produced by this study form the basis for the regional estimates presented in table 1 and also allow fairly close approximations to the size of each of the classes in each individual country. These estimates are presented in table 2.

The capitalist class is operationally represented by owners of firms of more than five workers. These figures are an overestimate since small employers, owners of firms employing between 5 and 20 persons, are probably closer to the category of microentrepreneurs than that of true capitalists. Even taking this overestimate into account, the proportion of the EAP represented by the capitalist class is minimal in all countries. If small entrepreneurs are excluded, these already low estimates would be cut by 50 percent or more.

The next two classes are defined empirically as executives and administrators in public agencies and private firms employing more than five workers (Class II) and as salaried professionals employed by the same agencies or firms (Class III). Again these are overestimates for the same reasons given previously but, even after taking this bias into account, the sum total of the three dominant classes barely reaches 10 percent of the population, falling below that figure in most countries and exceeding it by a small margin in only three.

The available data do not allow us to distinguish between formal and informal microentrepreneurs. Detailed studies in particular cities indicate that a large proportion of microenterprises are entirely informal and that others operate in a twilight zone, complying with some regulations, but escaping others (Itzigsohn 2000; Cross 1998). Klein and Tokman (2000, 17) report that, in 1998, between 65 and 80 percent of workers in these firms did not have medical insurance or social security. Owners of such firms, employing up to five workers, plus own account professionals and technicians comprise the petty bourgeoisie. It represents another 10 percent of the Latin American EAP. Despite its internal heterogeneity, the relative size of this class is remarkably consistent across the eight countries studied.

TABLE 2 *The Class Structure of Selected Latin American Countries, 2000**

	Brazil %	Chile %	Colombia %	Costa Rica %	El Salvador %	Mexico %	Panama %	Venezuela %
I. Capitalists	2.0	1.5	2.2	1.7	1.2	1.6	0.8	1.4
II. Executives	1.8	1.1	0.8	2.4	1.5	1.3	5.2	2.5
III. Professionals	1.4	6.9	7.7	3.2	2.3	2.8	5.2	10.0
Dominant Classes:	5.2	9.5	10.7	7.3	5.0	5.7	11.2	13.9
IV. Petty Bourgeoisie	7.4	9.4	9.3	10.8	11.8	9.4	8.3	11.2
Va. Non-manual Formal Proletariat	12.7	16.2	7.9	14.1	10.5	13.7	16.3	9.2
Vb. Manual Formal Proletariat:								
(I)	25.3	33.7	31.9	32.8	27.5	30.9	23.8	33.6
(II)	20.7	29.0	27.1	28.2	22.5	25.4	20.9	27.2
VI. Informal Proletariat:								
(I)	43.5	30.2	40.1	34.3	45.0	40.2	40.1	31.6
(II)	48.1	34.9	44.9	38.9	50.0	45.7	43.0	38.0
Unclassified	5.9	1.0	0.1	0.7	0.2	0.1	0.3	0.5
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: ECLAC 2000, table 11; ILO/Lima, 2000, table 8-A.

*Percentages of the national working population aged 15 or over.

These figures imply that the subordinate classes, broadly defined, comprise approximately 80 percent of the Latin American population. These classes are not homogenous, however, and must be disaggregated further for a proper understanding of the dynamics at play. The non-manual formal working class, composed of salaried technicians and subordi-

nate white-collar employees, accounts for another 15 percent of the regional EAP, although the figure fluctuates between a low of 8 percent and a high of 16 percent across countries.

We provide two estimates of the manual formal proletariat. The first is the sum total of waged workers in small, medium, and large urban firms plus agricultural workers in medium and large modern enterprises. These figures assume that all such workers are covered by labor contracts and existing legal regulations. This assumption is likely to yield an overestimate because, as seen previously, some workers in formal enterprises are paid off the books and lack legal protection. The ECLAC study provides no data to adjust these series. However, a second set of tabulations by the International Labour Office presents the proportion of workers in the formal sector (defined as government employees and workers in small, medium, and large private firms) who do not contribute to the national social security system.

Social security coverage can be used as a reasonable proxy for formal employment. The average coverage for workers in formal sector firms is 80 percent and the figure is remarkably consistent across years and across countries. This statistic suggests that approximately one-fifth of the labor force in the presumably formal sector of the economy is composed of unprotected workers. We use the national figures on social security coverage to adjust our initial estimates and present the results in the next row of table 2. Based on these figures, the manual formal proletariat fluctuates between 20 and 30 percent of the adult working population, and it does not exceed one-third of the EAP in any country. Under the more generous assumption of legal coverage of all workers in small, medium, and large firms, the figure would increase by 4 to 5 percentage points in every nation.

Estimates of the proportions of the working population represented by the informal proletariat are the obverse of these series. We again present two estimates. The first represents the sum total of own-account workers, minus professionals and technicians, plus workers in urban microenterprises, small rural enterprises, domestic servants, and unpaid family laborers. These figures underestimate the informal proletariat for the same reasons given previously, namely the exclusion of unprotected workers in larger firms. The second series adjusts for this undercount with the same figures used to re-estimate the formal working-class. Based on these calculations, the informal proletariat fluctuates between one-third and one-half of the employed population, the figure being no lower than one-third in any country. This makes informal workers the largest class everywhere. Put differently, the numerically most important segment of the employed population in Latin America is that excluded from modern capitalist relations and which must survive through unregulated work and direct subsistence activities.

A question as important as the present composition of the class structure is its evolution over time. Specifically, we want to know to what extent and in what forms the transition from the import-substitution era to that of open markets has affected the class structure of individual countries. Unfortunately, the detailed ECLAC study of occupational stratification from which the preceding estimates were derived is cross-sectional, lacking comparable data for earlier periods. The available time series from national census reports and U.N. documents are not detailed enough to permit equally refined estimates. In addition, the best available estimates are limited to the urban rather than the total EAP, making the figures not comparable to those presented previously.

Taking these shortcomings into account, it is still possible to arrive at a simplified, "reduced form" estimate of the evolution of the Latin American class structures during the last two decades. The figures, drawn from ECLAC recent publications, measure the class of "capitalists" as owners and employers of firms with five or more employees. (The definition varies slightly among countries, but is never less than five.) The other dominant classes cannot be estimated separately, but are merged instead into the category of salaried executives and professionals/technicians, regardless of the size of the firm. Once again, these figures will produce overestimates since they include proprietors and salaried personnel of small firms which are often more representative of the petty bourgeoisie than of the true capitalist class. Yet, after taking this bias into account, the dominant classes still represent a small fraction of the urban EAP in every country.

The petty bourgeoisie is estimated as the sum of owners of microenterprises, employing less than five workers, plus own-account professionals and technicians. The available data do not permit differentiating between the non-manual and manual segments of the formal proletariat (Classes Va and Vb). However, they allow us to differentiate between their public and private sector components. Public sector formal workers are employees of government agencies at the national and local levels, plus state-owned institutions; private formal workers are those employed in firms with five or more workers, regardless of skill level. For reasons already noted, these figures are overestimates because a number of workers in such firms labor without legal protection. In this case, however, we do not have reliable figures to correct the overestimate for each country and each census year. Thus, we are forced to present the unadjusted series. Based on estimates presented in table 2, the actual size of the formal proletariat in most countries is probably 5 to 7 percent lower than the available measures.

The informal proletariat is defined as the sum of own account workers minus professionals and technicians, domestic servants, and paid and unpaid workers in microenterprises. It bears repeating that these

series are based on the urban rather than the total EAP. The final estimates are presented in table 3. To avoid repetition, we do not discuss the relative size of the classes, but focus on their evolution over time.

The data make apparent four major trends. First, there has been a consistent decline of public sector workers, observable in every country of the region. Second, there was a parallel decline of the formal proletariat as a whole in every country, with the exception of Argentina (figures restricted to the Buenos Aires metropolitan area).⁵ The decline is not monotonic in every case, but is most apparent in countries where the data reach back to the 1980s. Examples include Brazil (50 percent in 1979 and 45 percent in 1997); Costa Rica (60 percent in 1981 and 50 percent in 1998); and Uruguay (56 percent in 1981 and 48 percent in 1998). In the case of Venezuela, formal employment actually increased between 1981 and 1990, but then dropped precipitously during the 1990s. In almost all cases, the observed decline of the formal proletariat is due to stagnation of private sector employment, along with a significant contraction of the public sector.

The third major trend is the rise of the class of petty entrepreneurs, and the fourth is the stagnation or increase of the informal proletariat. The petty bourgeoisie is still in the single digits in most countries, but there was an appreciable rise during the 1990s. In most cases, this rise is monotonic, increasing from approximately 5 percent of the urban EAP in the 1980s to about 10 percent in the late 1990s. This trend again reflects the forced entrepreneurialism foisted on former salaried employees by the decline of formal sector employment. Along the same lines, the informal proletariat did not decline during the neoliberal period, but actually rose in several countries. The data provide no evidence that this trend is solely due to waged workers in microenterprises. As seen in table 3, the relative size of each of the three components of the informal proletariat varies from country to country, suggesting that, in some instances, own account work was the key form of adjustment to the absence of regular jobs, while in others it was paid or unpaid labor in micro-enterprises and domestic service.

OCCUPATIONAL INCOMES AND THE CLASS STRUCTURE

It is well known that Latin America as a whole features the most unequal distribution of wealth and income in the world (Robinson 1996;

5. The major economic crisis experienced in Argentina since 2001 makes it likely that these figures do not reflect present realities. With unemployment now surpassing 25 percent of the economically active population and underemployment affecting as many or more workers, it is likely that the debacle of the neoliberal model in that nation has taken a far more serious toll on its working class than what these figures portray. This result would simply exacerbate the trends reported herein.

TABLE 3 *The Latin American Urban Class Structure, 1980–1998*

<i>Country</i>	<i>Year</i>	<i>Capitalists¹</i>	<i>Professional/ Executives²</i>	<i>Petty entrepreneurs³</i>
Argentina (Greater Buenos Aires)	1980	2.1	3.3	4.3
	1990	1.6	6.9	6.4
	1998	1.4	6.9	5.6
Bolivia	1989	1.1	4.3	3.9
	1994	1.4	6.8	7.8
	1997	2.0	6.7	6.9
Brazil	1979	1.5	7.5	3.8
	1993	2.2	4.6	3.3
	1997	2.5	4.9	3.9
Chile	1990	1.6	12.9	2.7
	1994	1.5	15.4	6.2
	1998	1.6	17.0	7.2
Costa Rica	1981	1.5	2.7	3.4
	1990	1.1	6.1	6.5
	1998	1.6	8.8	8.9
Ecuador	1990	1.4	4.5	4.2
	1994	1.4	5.6	8.5
	1998	1.9	6.0	7.5
El Salvador	1990	1.7	3.4	3.1
	1995	1.3	7.2	5.9
	1998	0.5	8.0	4.1
Honduras	1990	0.5	4.9	2.3
	1994	1.2	6.8	4.3
	1998	0.9	7.0	5.2
Mexico	1984	0.2	6.2	3.3
	1989	0.5	9.0	4.4
	1998	0.9	6.6	5.8

Source: ECLAC 2000, tables 4 and 10.

¹ Owners of firms employing five or more workers.

² Salaried administrators, university professionals, and technicians in firms employing five or more workers.

³ Owners of firms employing fewer than five workers plus own account professionals and technicians.

<i>Formal Workers</i>			<i>Informal Workers</i>				<i>Total</i>
<i>Public</i>	<i>Private⁴</i>	<i>Sub-total</i>	<i>Micro-enterprises⁵</i>	<i>Own Account⁶</i>	<i>Domestic Service</i>	<i>Sub-total</i>	
—	—	44.2	10.1	32.2	3.9	46.2	100.0
—	—	44.8	11.6	23.0	5.7	40.3	100.0
5.0	41.1	46.1	15.7	19.6	4.8	40.1	100.0
17.9	13.5	31.4	12.3	41.0	5.8	59.1	100.0
12.8	15.5	28.3	13.8	36.8	5.2	55.8	100.0
10.5	14.3	24.8	11.0	44.9	3.6	59.5	100.0
—	—	49.7	10.7	19.3	7.5	37.5	100.0
14.4	31.5	45.9	8.5	26.4	8.2	43.1	99.1
13.3	31.3	44.6	9.7	25.8	8.6	44.1	100.0
—	—	45.7	9.4	20.6	7.0	37.0	100.0
—	—	44.9	8.6	17.4	6.1	32.1	100.0
—	—	43.4	9.7	15.2	5.9	30.8	100.0
28.0	32.1	60.1	10.0	16.7	5.5	32.2	100.0
25.0	29.5	54.5	9.7	17.6	4.4	31.7	100.0
19.7	30.2	49.9	10.6	15.4	4.8	30.8	100.0
17.5	21.8	39.3	11.3	34.5	4.5	50.3	99.7
13.7	21.8	35.5	12.2	32.1	4.7	49.0	100.0
11.7	22.3	34.0	13.1	32.0	5.5	50.6	100.0
13.8	26.3	40.1	13.3	33.3	6.1	52.7	101.0
12.5	27.2	39.7	10.5	31.1	4.4	46.0	100.0
12.1	28.7	40.8	12.1	30.3	4.3	46.7	100.0
14.4	26.3	40.7	13.2	31.7	6.7	51.6	100.0
11.3	30.5	41.8	11.0	29.5	5.4	45.9	100.0
9.5	29.5	39.0	11.7	31.4	4.6	47.7	99.8
—	—	(63.1)*	—	24.7	2.6	—	100.0
—	—	(64.7)*	—	18.9	2.7	—	100.2
14.2	33.1	47.3	14.9	20.5	4.1	39.5	100.0

⁴ Waged workers in firms with five or more workers.

⁵ Waged workers in firms with fewer than five workers.

⁶ Excludes professionals and technicians.

* Census did not distinguish waged workers by firm size.

TABLE 3 (continued)

Country	Year	Capitalists ¹	Professional/ Executives ²	Petty entrepreneurs ³
Panama	1979	2.1**	4.6	—**
	1991	0.8	7.4	3.6
	1998	1.0	10.8	3.6
Paraguay (Asunción)	1986	1.7	6.1	7.8
	1990	2.1	5.5	8.3
	1997	1.4	4.8	8.5
Uruguay	1981	1.6	3.9	4.6
	1990	1.9	5.1	5.0
	1998	1.7	6.5	5.9
Venezuela	1981	1.5	5.2	6.4
	1990	2.6	5.8	6.0
	1994	1.9	6.1	6.1

Source: ECLAC 2000, tables 4 and 10.

¹ Owners of firms employing five or more workers.

² Salaried administrators, university professionals, and technicians in firms employing five or more workers.

³ Owners of firms employing less than five workers plus own account professionals and technicians.

Galbraith 2002; Korzeniewicz and Smith 2000). A look at this situation from a class perspective helps clarify how particular sectors of the population are positioned in this distribution and how their condition has evolved over time. To begin with, it is worth noting that income inequality during the years of the neoliberal experiment increased significantly for the region and, with exceptions, for each individual country. By 1998, the regional Gini index of inequality had inched up to reach the same value that it had in 1970 (0.52). This means that the top 5 percent of the population received incomes that were twice those of the comparable group in the OECD countries, while the bottom 30 percent survived on 7.5 percent of the total income or only 60 percent of the respective proportion in the advanced nations. However, if the Gini index is computed on the bottom 90 percent of the Latin American population, its value would only be 0.36, which is similar to that of the United States (Klein and Tokman 2000, 20).

Since, as seen in the previous section, the three dominant classes comprise at best one decile of the population, this finding is interpretable as indicating that all the excess income inequality of the region is attribut-

<i>Formal Workers</i>			<i>Informal Workers</i>				<i>Total</i>
<i>Public</i>	<i>Private⁴</i>	<i>Sub-total</i>	<i>Micro-enterprises⁵</i>	<i>Own Account⁶</i>	<i>Domestic Service</i>	<i>Sub-total</i>	
35.8	34.1	69.9	—	17.3	6.1	—	100.0
26.6	27.0	53.6	5.2	22.4	7.0	34.6	100.0
23.5	29.9	53.4	6.4	18.2	6.6	31.2	100.0
12.0	23.3	35.3	12.0	23.8	13.3	49.1	100.0
11.9	24.9	36.8	15.6	21.2	10.5	47.3	100.0
10.9	22.1	33.0	12.5	29.4	10.3	52.2	100.0
22.8	33.0	55.8	8.8	17.7	7.5	34.0	100.0
21.8	30.1	51.9	10.3	19.0	6.9	36.2	100.0
16.3	32.0	48.3	10.6	19.9	7.2	37.7	100.0
23.9	19.6	43.5	20.2	18.0	6.1	44.3	100.9
21.4	30.0	51.4	6.5	21.4	6.3	34.2	100.0
18.1	27.1	45.2	9.2	27.4	4.0	40.6	100.0

⁴ Waged workers in firms with five or more workers.

⁵ Waged workers in firms with less than five workers.

⁶ Excludes professionals and technicians.

* Census did not distinguish waged workers by firm size.

** Census did not distinguish employers by firm size.

able to the combined share of income received by these classes. Simultaneously, this produces a situation in which 75 percent of the employed population, corresponding approximately to the sum of the formal and informal proletariats, does not generate enough income from their jobs to surpass the poverty level (ECLAC 2000, 19). This implies that with few national exceptions, to be a worker in Latin America means to be poor.

The same ECLAC study of eight Latin American countries cited previously divides the national EAP into four useful categories that correspond to distinct positions in the class structure. The three dominant classes (employers, executives/managers, university professionals) comprise 9.4 percent of the work force in these countries and receive average earnings of 13.7 times the per capita poverty line. The intermediate classes—petty entrepreneurs and non-manual formal workers (technicians, lower-educated professionals, administrative employees)—account for 13.9 percent of the workforce and receive earnings of 5 times the poverty line.

The manual proletariat (formal and informal) earns incomes of less than 4 times the poverty line, a level too low to lift the average family

out of poverty.⁶ This category is subdivided by the ECLAC study into two sub-groups: (a) Urban workers in commerce and blue-collar workers and artisans (comprising a mix of formal and informal proletarians) represent 38.7 percent of all employed persons with average incomes of 3.5 times the poverty line; (b) Service workers and agricultural laborers (overwhelmingly informal) account for 34.5 percent of the labor force and receive incomes of just twice the poverty line.

It is possible, on the basis of these figures, to compute average incomes reflecting major divisions in the class structure of individual countries. We do this and report the results in table 4. Two facts become immediately obvious: first, the enormous disparities in incomes between the dominant classes, especially capitalists, and the rest of the population: second, the wide variation across countries. Average income levels of the dominant classes are underestimated because they include owners and managers of microenterprises who are part of the petty bourgeoisie and who receive much lower incomes. Even after rolling microentrepreneurs into the employer class, the income ratio of this group as a whole to that of informal workers is 6 times in Mexico, 10 times in Chile, and 11 times in Brazil.

Within this general picture, these are significant variations in inequality. The most egalitarian nation is obviously Costa Rica, where both formal and informal workers receive the highest relative incomes and where the ratio of this figure to the average for the dominant classes is less than 3. At the other extreme, we find Brazil and Chile, with the important difference that, in Brazil, the average income of informal workers is less than twice the poverty level, while in Chile it is almost four times that figure. Chile has the highest absolute occupational incomes of all the countries considered, which leads to a situation in which extreme inequality co-exists with the gradual reduction of poverty among the subordinate classes (ECLAC 2000, 76–77). Such is not the case in Brazil, or even in Mexico, where those at the bottom must subsist on wages which, in the absence of other sources of income, condemn them to indigence.

The available data also allow a glimpse of the evolution of income inequality within the class structure during the last two decades. While the series are available for a larger number of countries, they contain several limitations that reduce their utility. First, figures are limited to urban areas and, in the cases of Argentina and Paraguay, to the capital

6. The poverty line is calculated on the basis of the cost of a basket of goods and services for the average individual. As working-class households have more than four members on average in all countries considered, an income of less than 4 p.l.s for the principal breadwinner is insufficient to lift the household out of poverty. Families respond to this situation through alternative income-earning activities, such as sending other members into the labor force or engaging in street vending or other informal activities (Roberts 1989; González de la Rocha 2001).

TABLE 4. *Average Incomes by Social Class in Eight Latin American Nations, 1997^a*

Classes	Brazil	Chile	Colombia	Costa Rica	El Salvador	Mexico	Panama	Venezuela
<i>Dominant:</i>								
Employers	18.4	34.6	9.4	8.8	8.1	14.0	15.6	11.4
Executives/ managers	12.3	16.2	9.0	12.1	11.3	11.0	10.2	6.6
Professionals	20.5	15.4	6.8	11.3	8.8	7.8	13.0	4.9
<i>Intermediate:^b</i>								
Non-manual workers (technicians and white-collar employers)	5.7	7.0	4.1	7.0	5.0	4.1	5.7	2.4 ^c
<i>Subordinate:^b</i>								
Quasi-formal proletariat (blue-collar workers and artisans/workers in commerce)	4.1	4.8	2.9	4.9	2.8	2.6	4.5	3.4
<i>Informal Proletariat:</i> (service workers and agricultural laborers)	1.7	3.4	2.4	3.8	1.9	2.2	3.6	2.9
Total:	4.5	7.4	3.5	5.7	3.3	3.4	5.2	3.7

Source: ECLAC 2000, table 4.

^a In multiples of the national poverty line.^b Weighted averages.^c Includes administrative employees only.

city. Second, they are reported for different years, depending on the timing of the national census or household surveys. Third, they are based on categories that obscure the relative income levels accruing to the different classes.

In particular, the category "employers" includes owners of firms of all sizes. Microentrepreneurs, who are far more numerous than medium and large employers, swamp these figures leading to significant underestimates of the actual incomes of the capitalist class. Similarly, the category "professionals and technicians" combines, in unknown proportions, elite workers, own-account skilled workers, and members of the non-manual formal proletariat. These limitations make the available series nearly useless for estimating the evolution of incomes of the dominant classes.

More useful are the figures for total average incomes and for microentrepreneurs, formal sector workers, and the different components of the informal proletariat. These categories are defined consistently across years and between countries. While they do not correspond perfectly to the definitions of the subordinate classes, they identify precise components of the latter. In addition, figures for total average incomes indicate the relative level of enrichment or impoverishment experienced by the working population as a whole during this period.

The available series are presented in table 5. They indicate that, for most Latin American countries, average urban incomes either stagnated or declined during the period of neoliberal adjustment. In Brazil and Mexico, they declined fractionally—from 5.6 and 4.8 multiples of the per capita poverty line in the early 1980s to 5.0 and 4.1 in the late 1990s. In Uruguay and Venezuela, however, the decline was much more dramatic, reducing average incomes by one-third in Uruguay and by more than 50 percent in Venezuela.

The clear exception to this pattern is Chile, where incomes increased by 57 percent during the 1990s. Reflecting this favorable scenario, the incomes of all classes rose in agreement with the conventional economic expectation that a “rising tide lifts all boats” (Firebaugh 1999; Galbraith 2002). However, the “lifting” was rather unequal: Employers as a group increased their share from 25 times the per capita poverty line to 34 times, while formal sector workers only rose from 3.5 to 4.3. As a result, the income gap between the two groups rose from a ratio of 7-to-1 to 8-to-1. Microentrepreneurs and the self-employed did better in this expanding economy than waged workers (formal or informal). As a consequence, the relative incomes of microentrepreneurs increased fractionally from 7.9 times those of informal workers to 8.2 times.

With this exception, the evolution of the incomes of microentrepreneurs and the different sectors composing the informal proletariat reflected the overall performance of the urban economies of the region: In almost every case, the incomes of these classes either stagnated or declined during the last two decades. The same is true for the formal proletariat, again defined as employees in firms employing five or more workers. In Brazil, the incomes of the formal proletariat declined from 4.8 to 3.9 the poverty line; in Mexico, from 4.4 to 3.1; and in Venezuela, from 6.9 to 2.4. In all these countries, the incomes of informal workers followed a parallel negative trend.

Figures in table 5 show close similarity and a similar evolution of the incomes of the categories of employers and microentrepreneurs. This is because the former comprise a large proportion of the latter. For this reason, it is not possible to determine whether the incomes of the true capitalist class (i.e., large and medium firm owners) also stagnated during this period or, on the contrary, increased in relative terms. Rising

TABLE 5 *Evolution of Average Occupational Incomes by Social Classes in Latin America^a*

Country	Year	Total	Employ- ers ^b	Profes- sionals/ Techni- cians	Micro- entre- pre- neurs ^c	Formal Workers ^d	Informal Workers		
							Waged Labor- ers ^e	Own Ac- count	Domes- tic Ser- vants
Argen- tina*	1980	6.9	19.3	15.6	18.4	6.6	5.1	5.2	3.1
	1990	6.4	20.6	9.4	18.4	4.5	3.6	7.2	3.5
	1997	7.2	24.2	—	23.1	—	—	—	2.6
Bolivia	1989	4.2	16.2	7.7	11.8	3.6	2.7	3.8	1.6
	1994	3.5	10.3	7.3	8.1	2.7	2.0	2.2	1.0
	1997	3.6	10.1	8.8	7.1	3.2	2.2	2.3	1.1
Brazil	1979	5.6	21.8	9.4	16.6	4.8	2.5	5.2	1.1
	1990	4.7	16.1	8.2	11.3**	3.8	2.6	3.4	1.0
	1996	5.0	19.1	10.7	14.0	3.9	2.5	3.7	1.5
Chile	1990	4.7	24.8	7.4	19.0	3.5	2.4	5.0	1.4
	1994	6.2	33.7	9.6	18.0	4.0	2.9	6.3	2.0
	1998	7.4	33.8	11.7	24.5	4.3	3.0	8.6	2.2
Colom- bia	1980	4.0	17.1	8.3	—	2.2	—	3.7	2.1
	1994	3.8	13.1	7.9	—	2.6	—	3.0	1.7
	1997	3.8	10.9	6.9	—	2.7	—	2.9	1.6
Costa Rica	1981	6.6	13.1	11.4	12.9	4.8	3.5	6.9	1.8
	1994	5.2	10.8	8.4	9.2	4.4	3.6	4.0	1.6
	1997	5.6	8.4	9.0	7.4	4.8	3.2	3.6	1.8
Ecuador	1990	2.8	4.8	6.0	4.0	2.9	2.3	1.9	0.8
	1994	2.9	6.6	5.2	6.1	2.6	1.9	2.0	0.9
	1997	3.0	6.6	5.7	6.5	2.9	1.8	2.1	0.9
Mexico	1984	4.8	14.8	8.8	13.3	4.4	—	1.7	4.1
	1994	4.4	18.3	9.5	13.8	3.0	1.7	1.2	3.3
	1998	4.1	18.2	6.9	11.7	3.1	1.9	1.3	2.6
Panama	1979	5.6	6.5	13.6	—	5.0	—	2.9	1.4
	1991	5.0	11.8	9.4	7.7	4.1	2.6	2.3	1.3
	1997	5.6	15.4	10.0	11.6	4.1	2.6	3.4	1.4
Para- guay***	1986	3.1	9.0	6.9	7.6	2.6	1.7	2.2	0.7
	1990	3.4	10.3	4.7	8.2	2.6	1.8	3.8	0.8
	1996	3.6	10.6	6.5	7.2	3.1	2.3	2.8	1.2
Uruguay	1981	6.8	23.6	10.0	19.9	4.1	3.0	1.8	8.1
	1990	4.3	12.0	7.6	8.9	3.7	2.5	1.5	5.1
	1997	4.9	11.5	9.8	9.8	4.6	3.0	1.8	3.5

TABLE 5 (continued)

Country	Year	Total	Employ- ers ^b	Profes- sionals/ Techni- cians	Micro- Entre- preneurs ^c	Formal Workers ^d	Informal Workers		
							Waged Labor- ers ^e	Own Ac- count	Domes- tic Ser- vants
Venezuela	1981	7.6	11.6	14.9	11.0	6.9	6.7	4.9	4.1
	1990	4.5	11.9	6.6	9.5	3.6	2.5	4.3	2.1
	1997	3.6	11.2	5.8	9.4	2.4	1.7	3.9	1.4

Source: ECLAC 2000, Tables 6, 11.

^a Urban areas only. Figures are in multiples of the per capita poverty line for each country/year.

^b All employers, including microentrepreneurs.

^c Owners of firms employing up to five workers.

^d Workers in firms employing five or more workers.

^e Workers in microenterprises with fewer than five workers.

* Buenos Aires metropolitan area.

** Figure is for 1993.

*** Asunción only.

Gini indices of income inequality and related measures indicate, however, that the latter alternative is the most plausible. By 1997, the detailed ECLAC analysis of eight countries showed that while average occupational incomes of all employers represented 15.8 times the poverty line, those of large and medium employers had reached 30 times this figure (ECLAC 2000, 63). As a result, the income ratio between the true capitalist class and the formal proletariat in these countries was 10-to-1; the corresponding ratio between the top and bottom of the class structure (informal workers) was of 15-to-1.

Klein and Tokman (2000) analyzed the evolution of income inequality in nine Latin American countries on the basis of changes in the ratio of income accruing to the top 20 percent of the population and that received by the bottom 40 percent. Their results are summarized in table 6. They show that in every country, with the exception of Panama, the incomes of the top quintile of the population grew faster (or declined less) than those of the bottom two quintiles. As a consequence, the coefficient of inequality between the two groups increased significantly in eight of the nine countries.

The figures reported by Klein and Tokman are an underestimate of the growing economic disparity between the dominant classes and the formal and informal proletariat. This is so because the top quintile of the population is approximately twice the size of the three dominant classes combined. Since, as seen previously, the incomes of all the other classes, including petty entrepreneurs, declined or stagnated during this

TABLE 6 *Income Growth and Distribution in Nine Latin American Countries During the 1990s*

	Annual Income Growth Rates ^a (1990–1996)		Coefficient of Inequality ^b	
	Bottom 40 percent	Top 20 percent	1990	1996
Argentina	3.5	6.4	7.0	8.0
Brazil	1.3	1.5	19.2	21.5
Chile	4.1	5.9	9.4	10.4
Colombia	2.5	3.9	4.3	4.6
Costa Rica	-0.6	2.7	3.0	3.4
Mexico	-3.8	0.2	6.0	7.1
Panama	2.6	2.2	4.7	4.7
Peru	2.7	3.0	7.9	8.5
Venezuela	-11.5	-9.1	4.7	7.6

Source: Klein and Tokman (2000, tables 5, 6)

^a Income growth rates in constant prices for each country.

^b Ratio of nominal average income of the top quintile of the population to the bottom two quintiles.

period, the advantage of the top quintile of the population must be due exclusively to the gains accruing to those at the very top. On the assumption that the incomes of the next-to-highest decile remained stagnant during the 1990s (an assumption rendered plausible by results presented in Table 5), the rate of income growth of the dominant classes, represented by the top decile, should be approximately double the figures reported by these authors.

In synthesis, results of our analysis show that: (a) with the exception of Chile, the average incomes of the Latin American urban workforce stagnated or declined in real terms during the years of neoliberal adjustment; (b) the average incomes of all the subordinate classes, including the urban petty bourgeoisie, declined as well; (c) the incomes of the dominant classes increased faster than average in all countries, with the exception of Panama, but including Chile; (d) as a result, the ratio of income received by these classes relative to the various proletarian classes increased during this period, exacerbating what already was a gulf in the economic condition and life chances of the wealthy and the poor. More than ever, the fact was reaffirmed that, in Latin America, it is not necessary to be unemployed in order to be poor. The vast majority of the working population receives wages that would condemn them to poverty, in part because of the generalized underdevelopment of their national economies, but also because of the highly skewed distribution of the economic pie.

OTHER FORMS OF ENTREPRENEURSHIP

Crime

The contraction of formal employment and the growth of income inequality associated with the neoliberal economic model have been associated with other less peaceful responses than petty enterprise and invented self-employment. In the new free-for-all market promoted by the dominant ideology, it is not surprising that some of the most disadvantaged members of society would seek redress by ignoring the existing normative framework. Perceptions of crime and civil insecurity have risen in response in most Latin American major cities. As an ECLAC (2001, 208) report on the topic concludes:

Latin America and the Caribbean have experienced an increase in crime and violence. The situation is such that the mortality rate associated with violent deeds has begun to affect the general mortality rate. Delinquency has increased in all Latin American cities and is identified as a rising problem in all public opinion surveys.

A different Inter-American Development Bank report on the same subject:

Crime has become a staple feature of many cities in Latin America. Muggings, burglaries, car jackings, and even homicides occur with alarming frequency and disarming impunity in many urban centers throughout the region. (Gaviria and Pagés 1999, 3)

In support of these assertions, the latter report presents figures on the evolution of the homicide rate per 100,000 which are reproduced in table 7. They show a generalized increase in homicides for the region as a whole, albeit with significant national differences. The regional homicide rate stood at 20 per 100,000 in 1995, which makes Latin America the most violent region of the world. The regional figure is significantly affected by extraordinary rates in Colombia and El Salvador. The countries of the Southern Cone plus Costa Rica still have low rates, but homicides have been on the rise in the Andean region countries, particularly in Venezuela and also in Brazil.

The deterioration of the situation concerning violent crimes can be graphically appreciated in Figure 1. In addition to homicides, other violent crimes have also been on the rise, especially kidnappings. Colombia is again at the top of these grim statistics with 10 kidnappings per 100,000 per year in the mid-1990s. The rates have also increased in Guatemala, Mexico, and Brazil (Ayres 1998; ECLAC 2001).

The available quantitative figures on crime pale by comparison with the reactions of the citizenry which, in survey after survey, highlight crime and insecurity as a top concern (Arriagada and Godoy 2000). A study based on the Latin Barometer surveys of the mid-1990s report staggering victimization rates. As shown in Figure 2, more than 40 percent of

TABLE 7 *Homicide Rates per 100,000 Inhabitants in Selected Countries*

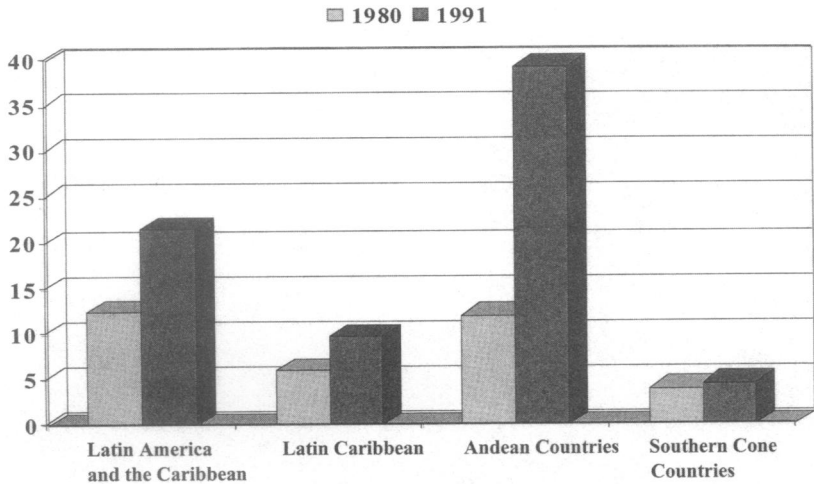
<i>Country</i>	<i>ca. 1980</i>	<i>ca. 1990</i>	<i>ca. 1995</i>
El Salvador	—	138.2	117.0
Colombia	20.5	89.5	65.0
Brazil	11.5	19.7	30.1
Venezuela	11.7	15.2	22.0
Mexico	18.2	17.8	19.5
Peru	2.4	11.5	10.3
Panama	2.1	10.9	
Ecuador	6.4	10.3	
Argentina	3.9	4.8	
Costa Rica	5.7	4.1	
Uruguay	2.6	4.0	
Chile	2.6	3.0	

Sources: Ayres (1998, Table 1); Arriagada and Godoy (2000, Table 2).

urban households in 5 countries (Peru, Ecuador, Guatemala, Mexico, Venezuela, and El Salvador) had at least one member victimized during the previous year. In Guatemala, the victimization rate exceeded 50 percent of urban households. For Latin America as a whole, the rate stood at 38 percent or more than twice the reported figure for Spain and seven times that for the United States (Gaviria and Pagés 1999, 6, 10).

The reaction of the dominant classes to this situation has been swift. There has been a rapid growth of fortress-like gated communities where the wealthy isolate themselves from the rest of the urban population in Mexico City, Rio de Janeiro and São Paulo, and even in Buenos Aires (Roberts 2001, 10). Similarly, there has been an explosive growth of private security services, especially in Colombia, but also in the other Andean countries, Brazil, and Mexico. In São Paulo, there are three times as many private security guards as policemen; in Guatemala, total private expenditure in security is estimated to exceed by 20 percent the public security budget (Arriagada and Godoy 2000, 179; de Roux 1993).

While the tiny segment of the population belonging to the dominant classes barricades itself in gated communities and hires private guards, all existing studies coincide in noting that the bulk of the perpetrators and often victims of urban crime are young males from impoverished families, themselves unemployed or informally employed. In Chile in 1996, 94 percent of those identified as responsible for armed robbery were young men, 60 percent were between 15 and 24 years of age, and 75 were either jobless or manual workers. Among those captured for homicide in the same country, 87 percent were men, 46 percent below age 25, and 77 percent jobless or informally employed (Fundación Paz Ciudadana 1998).



Source: ECLAC (2001: Figure 6.2)

Figure 1 Latin America: Homicide Rates per 100,000.

There is no one-to-one relationship between levels of income inequality and rates of violent crime. Again, the regional statistics are biased by the extraordinary violence in Colombia and, to a lesser extent, in El Salvador. Nevertheless, there is a discernable pattern in which less economic inequality is generally associated with lower violent crime and a smaller increase, or even decline, of crime rates over time. Costa Rica and Uruguay are the prime examples of this pattern. On the other hand, countries with large and increasing inequality levels have been generally afflicted by significant rises in crime, with Brazil, Mexico, and Venezuela being the most notable cases.

All past studies of determinants of violent crime in Latin America coincide in identifying economic inequality as the single most important factor (Londoño 1996; Bourguignon 1999; Arriagada and Godoy 2000). Rising inequality, rather than poverty itself, has been consistently associated with crime, a pattern that accords with established sociological theories of the role of relative deprivation in the onset of deviance (Merton 1968; Sullivan 1989). As inequality levels have risen throughout the region, it is thus not surprising that crime levels and reports of victimization have followed suit. Despite all the private security purchased by the wealthy, reported victimization rates—especially theft and other property crimes—are highest among the top income quintile of the population. Victimization is also highest in the largest cities, where members of the dominant classes generally live, and where the contrast

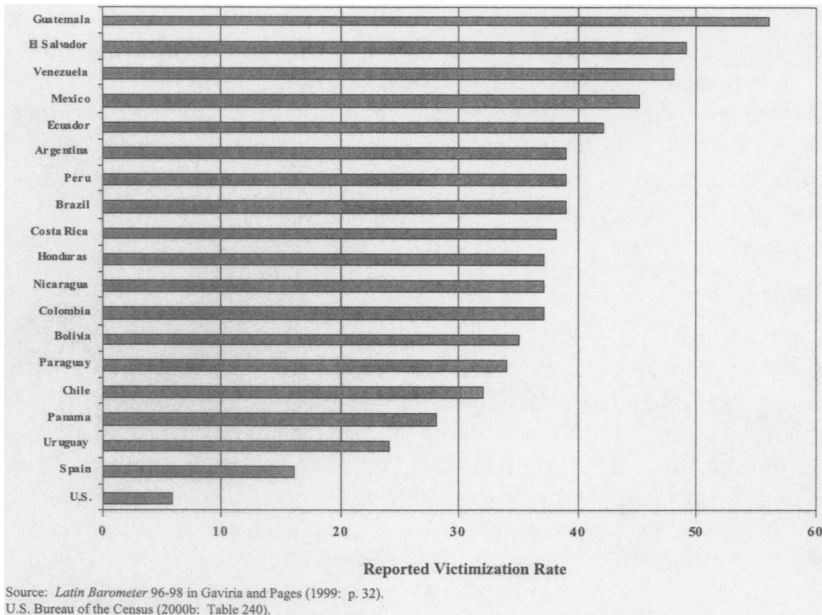


Figure 2 Victimization Rates by Country, ca. 1995.

between their lifestyles and the struggle for subsistence of the proletarian classes becomes most glaring (Gaviria and Pagés 1999; de Roux 1993).

It cannot be demonstrated empirically that the implementation of the neoliberal model is the direct cause of the rise of urban crime, whether objectively or subjectively measured. It is quite possible that other factors, such as the growth of the drug trade or domestic political struggles, also played a role. However, there is both temporal coincidence between both processes and an obvious affinity between the character and spirit of neoliberal policies and the decision by at least some of the downtrodden to take matters into their own hands. Neoliberal adjustment programs have removed a host of protections from the proletarian classes, ranging from subsidies for food, energy, and transportation to employment creation programs (Díaz 1996; Sunkel 2001). The new ideology preaches individual initiative and self-reliance in a context of generalized poverty and increasing inequality. Without access to employment and with fading compensatory programs by a distant state, it is not surprising that a minority of the poor have concluded that the only means of survival consists of appropriating resources through illegal means.

This interpretation is consistent with the fact that the bulk of those responsible for property and violent crimes comes from the urban proletariats, for these are the classes that have suffered most from employment contraction and the disappearance of compensatory policies. In a

context of visibly growing inequality, what is perhaps remarkable is how few members of the largest social class—the informal proletariat—have chosen to avail themselves of entrepreneurial opportunities in crime. Despite a relative and often absolute deterioration of their situation, the large majority of informal workers continue to toil at minimally paid domestic service, unprotected work in micro-enterprises, or by inventing some form of marginal economic activity.

Emigration

For professionals, white-collar employees, and some skilled workers displaced from public or private salaried positions, an alternative to forced entrepreneurialism in their own countries is to seek their fortunes abroad. The emigration alternative is not open to everyone because of restrictions imposed by the receiving nations and the cost of the journey and early settlement process. For this reason, and with exceptions noted below, this path is not open to the informal proletariat, but to classes possessing somewhat greater endowments—non-manual skilled workers and artisans and members of the petty bourgeoisie. Leaving one's country entails a momentous decision that is adopted only under difficult circumstances. Different sources of evidence converge in pointing to an acceleration of emigration from Latin America during the 1990s and to an increasing diversification of the flow which has come to include a large proportion of members of the intermediate classes.

Ecuador is a case in point. During the 1990s, an estimated 1 million persons or 8 percent of the population left the country. Most went to the United States creating large Ecuadorian concentrations in New York City (estimated at 600,000) and in Los Angeles and Chicago (100,000 each). There are also an estimated 300,000 Ecuadorians in Spain and a fair number in Italy. In 2000 the central bank reported that expatriate remittances had reached \$1.4 billion, only \$200 million short of oil which is the country's chief export (Latin American Weekly Report 2002, 56).

By 1997, 13.1 million, or about 50 percent of the United States' foreign-born population, was born in Latin America. While the figure is heavily influenced by Mexican immigration, which accounts for more than half of the total, there are also significant and growing concentrations from South America (1.5 million), Central America (1.8 million), and the Latin Caribbean (2.8 million) (U.S. Bureau of the Census 2000a). Sizable immigrant communities from countries that exported few or no migrants prior to the 1990s have emerged in the United States. These include Brazil (Levitt 2001); Ecuador (Kyle 2000); and Peru (Boswell and Skop 1995). Several recent reports from the sending countries indicate mass departures to the United States, Spain, and Italy from Argentina, Colombia, Ecuador, Peru, and the Dominican Republic (Latin American

Weekly Report 2002, 56–57; Criado 2001; Itzigsohn 2000; Guarnizo, Sánchez, and Roach 1999).

Along with the acceleration of emigration, there is evidence of its growing diversification in terms of the educational and occupational qualifications of recent Latin American cohorts. The best data come from the United States, although the overall statistics are biased by the massive presence of Mexican immigrants. Mexico shares a long land border with the United States and its geographical proximity has facilitated both labor recruitment and the consolidation of cross-national migrant networks (Massey and Durand 2002). As a result, migration of rural laborers and increasingly urban workers from Mexico to the United States has continued, almost without interruption, for more than a century (Roberts, Frank, and Lozano-Asencio 1999).

The situation is quite different for South American countries which, because of geographical distance and transportation costs, cannot export to the United States a significant share of their rural or urban proletariats. In these instances, emigration has been overwhelmingly urban and has come primarily from the intermediate classes. During the 1990s, there is evidence that the composition of U.S.-bound migration diversified, including a higher proportion of professionals and persons with college degrees among legal immigrants, but also including a rising number of illegal arrivals. While the educational and occupational composition of the illegal population is difficult to determine, past studies suggest that they are primarily members of the urban formal proletariat with a modest average level of education (Kyle 2000; Margolis 1994; Guarnizo and Díaz 1999).

Tables 8 and 9 provide preliminary evidence of these trends. Table 8 shows that the proportion of university professionals and executives/administrators among South American immigrants with an occupation moved significantly upwards during the 1990s. While part of this shift is attributable to the 1990 Immigration Act which encouraged higher occupational selectivity of legal immigrants (Portes and Rumbaut 1996; Fix and Passel 1991), changes in admissions requirements cannot by themselves account for a trend that continued throughout the decade. The increasing proportion of persons with higher qualifications who are willing to emigrate is a reflection of the deterioration in economic conditions and opportunities in their countries of origin.

As a consequence, the average occupational and educational composition of the Latin American population resident in the United States inched upwards during the 1990s. As noted before, the figures are heavily influenced by the presence of Mexican immigrants, most of whom are urban and rural laborers and whose levels of education are correspondingly low. As shown in table 9, this leads to modest average levels of educational attainment among the Latin American immigrant

TABLE 8 *Professionals and Administrators Admitted as Legal Immigrants from South American Countries, 1990–1999**

Country	Occupation	1990 %	1994 %	1997 %	1999 %
Argentina	Professionals	17.4	35.7	33.3	43.4
	Executives	<u>14.8</u>	<u>16.2</u>	<u>13.4</u>	<u>17.3</u>
	Total	32.2	51.9	46.7	60.7
Brazil	Professionals	18.8	31.0	24.9	43.4
	Executives	<u>10.2</u>	<u>16.0</u>	<u>18.2</u>	<u>17.3</u>
	Total	29.0	47.0	43.1	60.7
Chile	Professionals	11.4	30.7	21.0	30.8
	Executives	<u>9.5</u>	<u>9.8</u>	<u>9.8</u>	<u>21.3</u>
	Total	20.9	40.5	30.8	52.1
Colombia	Professionals	3.2	15.4	14.4	22.7
	Executives	<u>3.9</u>	<u>4.9</u>	<u>6.2</u>	<u>5.9</u>
	Total	7.1	20.3	20.6	28.6
Ecuador	Professionals	4.1	10.6	10.3	16.8
	Executives	<u>3.3</u>	<u>3.5</u>	<u>4.4</u>	<u>4.2</u>
	Total	7.4	14.1	14.7	21.0
Peru	Professionals	8.5	15.9	13.1	21.8
	Executives	<u>6.9</u>	<u>8.2</u>	<u>5.4</u>	<u>6.7</u>
	Total	15.4	24.1	18.5	28.5
Venezuela	Professionals	26.8	40.4	27.1	38.9
	Executives	<u>16.8</u>	<u>22.9</u>	<u>17.8</u>	<u>24.8</u>
	Total	43.6	63.3	44.9	63.7

Source: U.S. Immigration and Naturalization Service (1990–99).

*As percentage of all occupationally active immigrants admitted for legal residence.

population as a whole. College graduates represent approximately 10 percent of this population, or less than half the U.S. average of 24.7 percent in 1999. Among South American immigrants, however, the figure is at par with the U.S. average and, significantly, it has been moving upwards. Among male South American immigrants, the proportion of college graduates rose from 25 to 30 percent in the last half of the 1990s, declining marginally to 29 percent in 2000. The figures also show a 5 percent increase in the overall proportion of college graduates among South American immigrants during the same years.

Other figures (not shown) indicate a parallel increase in the proportion of professionals, administrators, and technicians among South American occupationally active immigrants. Together, these results reinforce the impression that emigration from these countries includes a significant number from the better-educated intermediate classes and

TABLE 9 *Educational Attainment of the Latin American-born Population of the United States, 1995–2000**

Year	Schooling	Latin American			South American		
		Male	Female	Total	Male	Female	Total
1995	Less than H.S.	55.0	54.4	54.7	15.3	21.9	18.9
	College Graduate	9.9	8.3	9.1	24.9	17.1	20.7
1997	Less than H.S.	53.9	51.9	53.0	20.4	24.1	22.4
	College Graduate	10.1	10.1	10.1	26.9	20.5	23.5
1999	Less than H.S.	52.9	50.9	51.9	19.5	22.8	21.3
	College Graduate	10.8	10.8	10.8	30.4	23.2	26.5
2000	Less than H.S.	51.1	49.8	50.4	18.9	21.6	20.4
	College Graduate	11.6	10.8	11.2	28.6	23.7	25.9

Source: U.S. Bureau of the Census (1995–2000, Table 4.4).

*As percent of the population aged 25 years and older.

that their presence has been increasing over time. The figures, albeit preliminary, are in agreement with accounts from the sending countries that report rising departures of professionals and other university-educated workers in response to the severe contraction in formal employment opportunities (Guarnizo and Díaz 1999; Margolis 1994).

Official immigration statistics offer, however, only a pale reflection of the extent to which emigration has become the economic strategy of choice for an increasing number of Latin Americans. For example, the U.S. Immigration and Naturalization Service reports that the total number of deportable South Americans apprehended during the 1990s was approximately 6,000 per year (INS Statistical Yearbooks 1990, 1995, 1998). During the same period, the New York City Planning Department reported that undocumented Ecuadorians alone, who barely registered during the 1980s, numbered close to 30,000 in the mid-1990s and were fast approaching Dominicans as the city's largest Latin immigrant minority (Kyle 2000, 36). Over time, this flow had become increasingly diversified, ranging from small farmers and urban artisans to professionals and technicians.

It has become apparent that the magnitude and social significance of the emigration alternative for Latin Americans during the last decade can only be fully appreciated through studies conducted in specific cities or regions. In his survey of four popular to middle-class neighborhoods of Santo Domingo, Dominican Republic, Lozano (1997, 160) reports that from 61 to 82 percent of the households in these areas had members who had emigrated, primarily to the United States. The overall city average was 77 percent. In her study of Governador Valadares, a city of some 270,000 in the state of Minas Gerais, Brazil, Levitt reports

that 30,000 persons had emigrated by 1994, primarily to Boston and other cities of Massachusetts:

The strong connection between Valadares and Massachusetts is widely recognized throughout Brazil. That 'there is not one house in Valadares that doesn't have a family in Boston' is a constantly reported refrain . . . migrants and non-migrants depend socially and economically on one another in ways that have transformed the sending city. (Levitt 2001, 201)

Similar results come from a detailed survey conducted by Kyle in the province of Azuay, Ecuador. Forty-five percent of households in this province had at least one relative abroad; 20 percent of the population had left the region during the preceding three years. Among secondary school students surveyed in the province in the mid-1990s, 44 percent were definitely planning or considering leaving their country (Kyle 2000, 64).

For final aggregate evidence of the rising significance of Latin American emigration, we return to figures on remittances. The Inter-American Development Bank reported that remittances by Latin American expatriates exceeded U.S. \$23 billion in 2000 and would have exceeded \$25 billion by cutting the fees for money transfers. The figure is more than the sum total of foreign aid for the entire region and a third as much of total foreign investments. Remittances were equivalent to 17 percent of the gross domestic product of Haiti; 14.4 percent in Nicaragua; and 10 percent in Ecuador and the Dominican Republic. The IDB reckons that these transfers will grow to about U.S. \$70 billion in ten years' time (Latin American Weekly Report 2002, 56).

There is, therefore, enough evidence to reconceptualize migration as one of the key strategies adopted by members of different social classes in response to the employment contraction of the last decade. Along with the forced entrepreneurialism foisted on a growing petty bourgeoisie, and the own account self-employment forced on members of a stagnant or growing informal proletariat, leaving one's country has increasingly become an option of choice for those with the means to do so. Faced with a macro-economic model that simultaneously increases inequality and abandons market losers to their fate, many members of the intermediate and subordinate classes have embraced the exit option. As a Salvadoran sociologist recently remarked, "emigration and remittances are the real economic adjustment program of the poor in Latin America" (Ramos 2002).

CONCLUSION

Portes' (1985) earlier analysis of Latin American class structures concluded by noting the remarkable stability of the informal proletariat which, unlike the experiences of developed countries, failed to decline significantly during the region's period of rapid industrial growth (1950–

1980). The article also noted that growing economic inequality during this period was entirely due to the increasing disparity between the shares of incomes accruing to the dominant classes and the informal proletariat. The intervening classes, in particular the formal working class, benefited both from a slow but steady rise in numbers and a modest, but tangible, increase in its absolute and relative income shares. In the early 1980s, when the article was written, there was growing evidence that this situation would take a turn for the worse:

The alarming economic decline of many Latin American countries and the regional shift into negative rates of growth seems to have led to a rapid expansion of the informal classes. . . . Although the evidence is still incomplete, the available data indicate that this negative effect has taken a double form: deterioration of real wage levels and expulsion of part of the formal working class into various forms of unprotected employment. (Portes 1985, 35)

What was a conjecture at the time turned into reality. Promoted with great vigor by agencies of the U.S. government, multinational banks, and international financial organizations, the new economic model promised a swift return to growth through free trade and a steady alleviation of poverty through a new market-driven economic dynamism that would, in time, "lift all boats" (Galbraith 2002; Sunkel 2001). The new consensus took hold swiftly and adjustment policies were implemented by most governments throughout the region.

A policy change of this magnitude could not but have momentous consequences for the societies subject to it. These consequences have materialized, but they are not the ones predicted by the model.

A shrinking formal working class and a stagnant or rising informal proletariat negate predictions about the capacity of the new economic model to absorb labor and reduce poverty. With the exception of Chile, most working persons in the region, regardless of where they are employed, receive wages that are insufficient by themselves to lift them out of poverty. The contraction of the state sector and of formal private employment has compelled substantial numbers of the intermediate and subordinate classes to search for alternative economic strategies. The new regime of open markets has, by and large, favored those with the resources to succeed in them, leaving the rest to fend for themselves. Micro-entrepreneurialism, marginal self-employment, violent crime, and accelerating emigration have accompanied the new model as adaptive strategies to its economic consequences.

An unexpected effect of the changes wrought in civil society throughout this period is the consolidation of alternative forms of political mobilization and popular protest. As Kenneth Roberts (2002) has noted, ideological class-based parties have declined markedly in Latin America, in particular Marxist and populist parties of the left. Contrary to what might be expected, growing class polarization has not led to the

strengthening of the traditional class parties, but to an emerging style of politics featuring either multi-party alliances that draw support from different segments of the population or former populist parties whose ideologies become increasingly blurred as they search for multi-class support. The governing multi-party alliances in Brazil and Chile are examples of the first trend and the evolution of Argentina's Peronist party, Chile's Socialist party, and Mexico's PRI and PRD are instances of the second.

Concerning political mobilization, the earlier article noted how the military regimes of the 1970s had focused their repressive efforts on the unions, leading to alternative, community-based forms of popular protest (Portes 1985, 31–33). The return of democracy in most countries of the region led to the expectation of a recuperation of trade union strength. This expectation has been negated by an adversary which, though peaceful, has proven far more effective than outright military repression. Plant closures, the precarization of employment, subcontracting, and the creation of special export zones—all part of the new model—have severely weakened the formal proletariat and, in turn, its capacity to support class parties. As Roberts (2002, 22) notes:

the new economic model concentrates fewer workers in stable relationships. . . . Labor fragmentation has made it increasingly difficult for workers to engage in collective action in either the workplace or the partisan sphere, severely eroding the organization dimension of class cleavages.

The result is the consolidation of alternative community forms of popular mobilization, continuing the precedent established during the prior military dictatorships. The *favelas*, *villas miserias*, and other forms of squatter settlements plus low-income areas in inner cities have been the key sites for mobilization in protest against price rises, the removal of state subsidies, or the generalized deterioration of public services. These are the areas where the informal proletariat concentrates. Its atomized conditions of employment seldom provide the basis for the emergence of strong trade unions. While street vendors and other workers have sometimes been able to organize protective association (Cross 1998), they are insufficient to ground viable class-based parties. Unlike the industrial proletariat during the import-substitution industrialization period, the informal proletariat under neoliberalism has no party that it can call its own.

Popular mobilizations and protests increasingly take place on a community basis because a common fate of poverty and deprivation that includes both formal and informal proletarians, provides the basis for collective action. Unlike the sustained activities of union-based parties, community-based mobilizations tend to be erratic and reactive

to specific events; organizers are seldom party activists, but non-governmental organizations and spontaneous community leaders (Roberts 2001; Katzman 2002). Latin American politics during the neoliberal era thus features the paradox of increasingly class-polarized societies giving rise to ideological diffuse parties and erratic forms of grassroots mobilization. The discontent of the subordinate classes have repeatedly fueled the electoral success of neo-populist political leaders who, once in power, have either reversed course or proven unable to implement a coherent alternative model of development.⁷

In this sense, neoliberalism has proven more successful as a political than as an economic project, as the transformations that it has wrought in society have weakened the basis for organized class struggle and the channels for the effective mobilization of popular discontent. Nevertheless, the dislocations wrought by economic orthodoxy on Latin American societies—rising inequality, rising crime and insecurity, forced entrepreneurship, and emigration—lead to the expectation that the present situation will be unsustainable and that new forms of popular and political organizations will emerge. In that sense, the massive Argentine revolts that brought down one of the governments that most carefully sought to adhere to neoliberal ideology may well represent not an isolated incident, but a harbinger of things to come.

7. The experiences of Argentina under Menem, Peru under Fujimori, Ecuador under Bucaram, and Venezuela under Chávez provide examples. For an analysis of the ideological reversal of populist regimes once in power, see Roberts (2002) and Sunkel (2001).

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