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# Slowing Down, Heating Up: Economic Deceleration and Social Discontent in Latin America

RESEARCH

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## ABSTRACT

There have been widespread public expressions of discontent throughout Latin America since the early 2010s. We exploit harmonized microdata from national household surveys covering nearly all Latin American countries to explore potential sources of discontent driven by income changes along the income distribution. We also estimate fixed-effects models that link discontent measures to changes in household incomes. Our results suggest that discontent may stem less from absolute economic performance during the 2010s than from the significant deceleration relative to the previous decade.

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## 1. INTRODUCTION

Over the past years, there have been widespread expressions of public discontent throughout Latin America. Social frustrations are evident in responses to surveys on subjective well-being and perspectives on the future, in political fragmentation, polarization, and instability, and in a growing number of protests and conflicts. Discontents have not been channeled in a single political direction. The only clear pattern seems to be dissatisfaction and the punishment of current rulers, regardless of their political affiliations. In fact, many countries in the region currently have administrations with a political orientation quite different from those of a decade ago.

Where do dissatisfactions come from? In this paper we contribute to the exploration of potential factors behind recent discontents by documenting and analyzing income changes over the past decades, along the income distribution of almost all Latin American countries. Are there signs of slowdown, stagnation, or even decline in incomes that can justify dissatisfaction? Could some of the recent discontents be related to struggles in the income dimension?

Frustration can stem from both absolute and relative factors. While a decline in real income is likely to lead to discontent, dissatisfaction can also arise when income growth falls short of expectations, whether compared to one's own past experiences or observed changes in other groups. Building on this idea, the paper explores two key aspects of these comparisons: changes over time, particularly between the most recent decade and the previous one, and disparities among different socioeconomic groups.

Our analysis combines data from public opinion surveys, especially Latinobarómetro, with harmonized microdata from national household surveys of nearly all countries in Latin America. As a result, this paper is highly data-intensive: it involves considering the responses of more than 40 million Latin Americans to national household surveys over the past two decades.

Disentangling the drivers of people's opinions and moods is challenging, since establishing causal relationships is inherently difficult. In this paper, we contribute toward that goal by complementing the descriptive analysis with fixed-effects model estimations linking economic and political perceptions from public opinion surveys to income changes recorded in national household surveys.

The evidence shown in the paper stresses the relevance of the expectations component in accounting for increasing discontent. Income changes in the 2010s were positive across the entire income distribution, and in most countries even pro-poor. It is then difficult to rationalize the increase in discontent from these patterns. In contrast, the data also reveals a substantial slowdown in the rate of progress. Performance in the 2010s was considerably weaker than in the previous decade. The stark contrast between the actual outcomes in the 2010s and the expectations set by the much stronger performance in the previous decade may have fostered frustration, leading to discontent and demands for significant political changes. The results of simple fixed-effects models using Latinobarómetro data support this argument. Specifically, income growth rate coefficients are consistently positive and, in most cases, statistically significant across all perception measures, income groups, and model specifications. Moreover, the magnitude of the coefficients suggests that if incomes rise but growth decelerates relative to a previous period, discontent may increase.

This paper contributes to the literature that seeks to understand the drivers of people's perceptions and opinions about the economic, social, and political situation—and, ultimately, their actions, including demonstrations, voting, migration, and other forms of response (Bossert et al. 2023; Acemoglu et al. 2019; Visconti 2019; Wroe 2016). These questions lie at the intersection of economics and political science.

The paper also contributes to a growing body of work in political economy, sociology, and political science that emphasizes that the rise in political disaffection and social unrest in Latin America since the early 2010s is closely linked to the end of the commodity supercycle, the subsequent economic slowdown, and the comparison with the more favorable conditions of the previous decade (*e.g.* Levitsky and Roberts 2011; Campello 2015; Sánchez-Ancochea 2021). Related contributions also stress the long-standing role of economic volatility and boom–bust cycles in

fueling political dissatisfaction and polarization in the region (*e.g.* Zechmeister and Lupu 2019). While connected to this strand of research, our paper adopts a complementary perspective by focusing on the income dimension and by providing a systematic empirical analysis based on comparable microdata covering nearly all Latin American countries over two decades.

Finally, the paper also contributes to the literature that characterizes income dynamics and, more broadly, development patterns in Latin America over recent decades (*e.g.* World Bank 2014; Gasparini and Bracco 2023).

The rest of the paper is organized as follows. Section 2 provides evidence of the changing patterns in measures of discontent in Latin America. In Section 3 we briefly discuss some conceptual issues regarding sources of discontent. Section 4 provides evidence about changes in incomes along the income distribution. In Section 5 we explore the links between measures of economic and political satisfaction and changes in income by estimating fixed-effects models at the country and income group levels. The paper closes in Section 6 with a summary of the results and a discussion.

## 2. PATTERNS OF DISCONTENT

There are two main ways to measure discontent in society: through people's opinions and through their actions. The typical way to capture opinions is through surveys that directly ask individuals about their level of satisfaction or discontent with various aspects of their lives, the government, and society. Subjective assessments can also be studied with qualitative methods (*e.g.* interviews, focus groups) and more recently by exploiting social media data. The other channel to study discontent is through people's actions. The frequency and scale of protests, strikes, and other forms of public demonstrations can also indicate levels of discontent within a society. In democracies, a change in the ruling political party as a result of free elections can often be interpreted as a sign of discontent among the population. In this section, we show some evidence of the increasing level of discontent in Latin America from some of these sources.

Latinobarómetro is an annual public opinion survey that involves around 20,000 interviews in 18 Latin American countries. The survey includes several questions on the level of satisfaction (the opposite of discontent) with the socioeconomic and political situation of the country. We focus on four questions that are representative of people's perceptions:

> **Current economic situation**: "How would you describe the country's present economic situation? Would you say it is: (1) very good, (2) good, (3) about average, (4) bad, (5) very bad, or (8) don't know?"
>
> **Approval of government**: "Do you approve or disapprove the way (president's name) is leading the country? (1) Approve (2) Disapprove."
>
> **Confidence in government**: "Would you say you have a lot (1), some (2), a little (3) or no trust (4) in the government?"
>
> **Satisfaction with democracy**: "In general, would you say you are very satisfied, quite satisfied, not very satisfied, or not at all satisfied with the working of the democracy in (country)?"

In most countries, and on average for the region, there is a clear inverse U-shaped pattern in all measures of satisfaction (Figure 1). Table 1 summarizes the main results focusing on the period 2002–2018:[1] on average for the region, all measures of satisfaction increased in the 2000s and fell in the 2010s. For instance, approval of the economic situation rose by 1.2 points per year in the 2000s but declined by 0.5 points per year in the 2010s. This measure peaked in 2013. Other measures peaked earlier and, notably, hit their lowest values in 2018.

1 We prefer to ignore the survey for 2020 in this analysis due to the potential effects of the pandemic.

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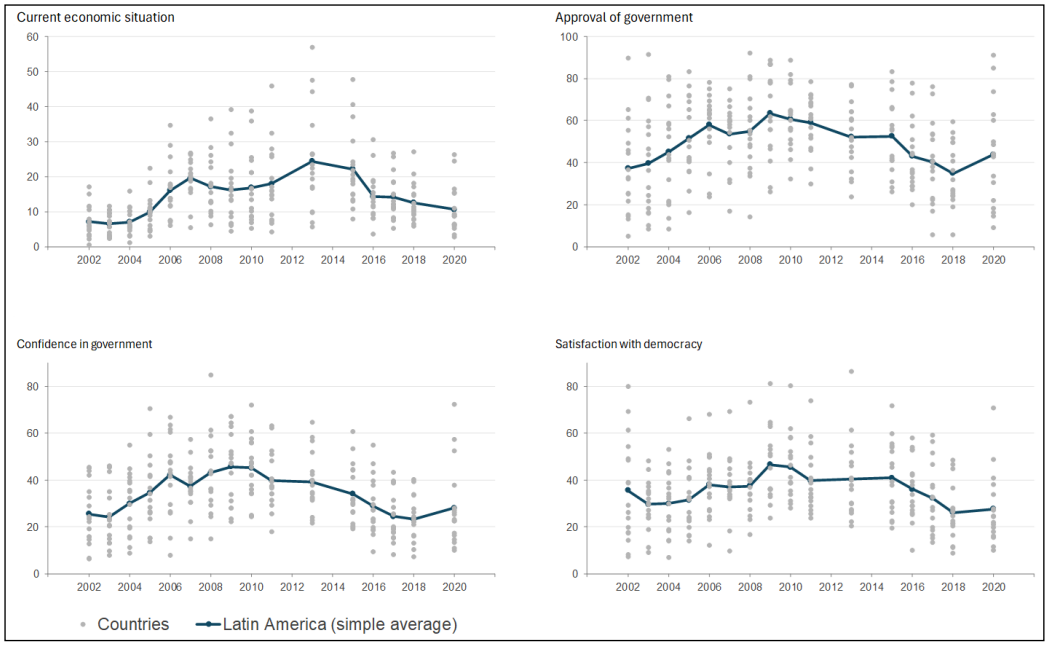



**Figure 1** Satisfaction with economic situation, government, and democracy.

*Source*: Own calculations based on Latinobarómetro. Note: Current economic situation = 1 if "very good" or "good"; Approval of government = 1 if "approve"; Confidence in government = 1 if "a lot" or "some"; Satisfaction with democracy = 1 if "very" or "quite." Dots represent the values for different countries.

| | CURRENT ECONOMIC SITUATION | APPROVAL OF GOVERNMENT | CONFIDENCE IN GOVERNMENT | SATISFACTION WITH DEMOCRACY |
|---|---|---|---|---|
| 2002 | 7.1 | 37.2 | 25.6 | 35.6 |
| 2003 | 6.5 | 39.6 | 24.4 | 29.6 |
| 2004 | 7.0 | 45.2 | 29.9 | 30.0 |
| 2005 | 9.9 | 51.6 | 34.5 | 31.5 |
| 2006 | 16.0 | 58.0 | 42.1 | 38.0 |
| 2007 | 19.6 | 53.6 | 37.3 | 36.9 |
| 2008 | 17.2 | 54.7 | 43.1 | 37.4 |
| 2009 | 16.3 | 63.4 | 45.7 | 46.5 |
| 2010 | 16.9 | 60.7 | 45.2 | 45.4 |
| 2011 | 17.9 | 59.0 | 39.9 | 39.8 |
| 2013 | 24.4 | 52.2 | 39.3 | 40.3 |
| 2015 | 22.2 | 52.5 | 34.0 | 41.0 |
| 2016 | 14.3 | 43.1 | 28.9 | 36.0 |
| 2017 | 14.2 | 40.3 | 24.5 | 32.3 |
| 2018 | 12.6 | 34.8 | 23.2 | 26.1 |
| Annual changes | | | | |
| 02–10 | 1.2 | 2.9 | 2.5 | 1.2 |
| 10–18 | −0.5 | −3.2 | −2.7 | −2.4 |

**Table 1** Satisfaction with economic situation, government, and democracy.

*Source*: Own calculations based on Latinobarómetro. Note: Current economic situation = 1 if "very good" or "good"; Approval of government = 1 if "approve"; Confidence in government = 1 if "a lot" or "some"; Satisfaction with democracy = 1 if "very" or "quite." Mean for Latin America.

We also explore data from the survey of the Latin American Public Opinion Project (LAPOP). This survey, conducted every two years and representative at the national level, contains socioeconomic and attitudinal information at the individual level for almost all the countries in the region. We focus on relevant questions that have been included since the first round (2004) and have been retained at least until 2018 in most countries: "proud of the political system," "satisfied with democracy," "approval of the president," and (the inverse of) "desire to move abroad." Table 2 reveals a clear change in perceptions in the early 2010s. All four measures of satisfaction increased in the 2000s and fell thereafter. By 2018, three of the four indicators were lower than in 2004, except for the "approval of the president."

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| | PROUD OF POLITICAL SYSTEM | SATISFIED WITH DEMOCRACY | APPROVAL OF PRESIDENT | STAY IN COUNTRY |
|---|---|---|---|---|
| 2004 | 44.9 | 53.5 | 34.1 | 77.7 |
| 2006 | 43.9 | 49.4 | 30.6 | 77.9 |
| 2008 | 41.3 | 52.5 | 36.9 | 78.7 |
| 2010 | 47.2 | 59.5 | 45.7 | 81.2 |
| 2012 | 43.0 | 57.8 | 41.1 | 84.4 |
| 2014 | 44.1 | 54.1 | 44.7 | 81.2 |
| 2016 | 41.6 | 41.0 | 33.1 | 72.9 |
| 2018 | 39.7 | 39.9 | 35.4 | 73.6 |
| Annual changes | | | | |
| 04–10 | 0.4 | 1.0 | 1.9 | 0.6 |
| 10–18 | −0.9 | −2.5 | −1.3 | −0.9 |

**Table 2** Measures of satisfaction. LAPOP.

*Source*: Own calculations based on LAPOP. Mean for Latin America. Note: Proud of political system = 1 if 5–7, where the scale ranges from 1 (nothing) to 7 (a lot); Satisfied with democracy = 1 if "very satisfied" or "satisfied"; Approval of president = 1 if "very good" or "good"; and Stay in country = 1 if there is no intention of going to live or work in another country in the next 3 years.

So far, we have shown significant shifts in people's opinions. Do these shifts translate into actions, such as changes in the political alignment of their votes? To explore this question, we rely on data from the Manifesto Project. This database compiles the content of platforms and electoral results for different political parties worldwide in presidential and parliamentary elections. In the case of Latin America, the latest version contains information for Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican R., Ecuador, Mexico, Panama, Paraguay, Peru, and Uruguay. Since data from the Manifesto Project extends only until 2018 for most countries, we completed the series up to 2023 using public information on the results of national elections in all countries.

Based on this extended dataset, we compute the number of Latin American countries where the current president shares the same political affiliation as their predecessor from five years earlier. This can be viewed as a measure of satisfaction with the political/socioeconomic situation. A decline in this indicator would reflect growing discontent in the region. Figure 2 shows the results for the sample of 13 countries. Consistent with the evidence from opinion surveys, our indicator increases throughout the 2000s and begins to decline around 2010/2012, reaching its lowest level in 2022/3.

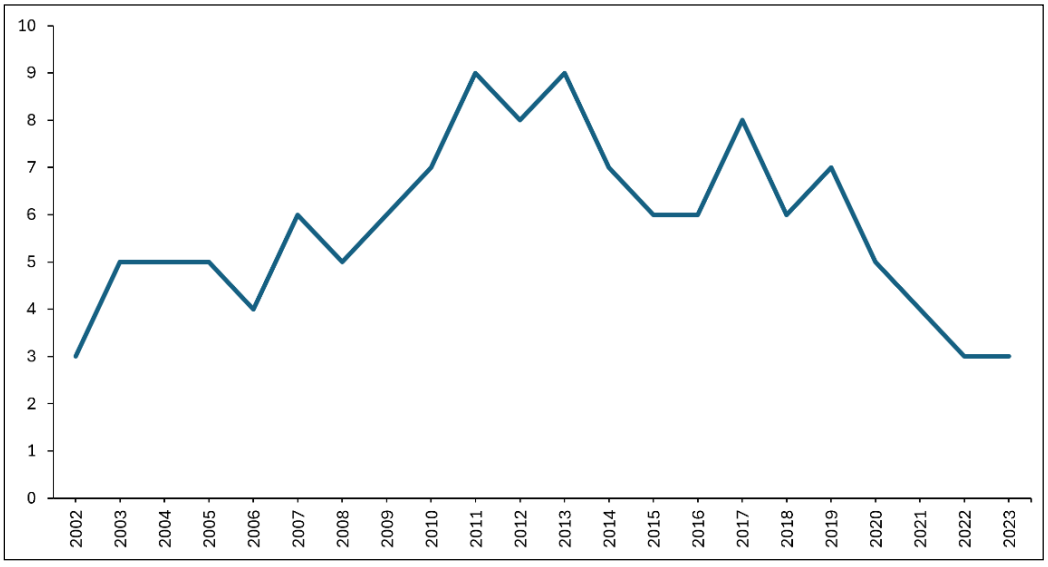



**Figure 2** Number of Latin American countries where the current president shares the same political affiliation as the president five years ago.

*Source*: Own calculations based on Manifesto Project Database until 2018 and own survey of elections thereafter. Mean for Latin America (13 countries).

In sum, evidence from opinion surveys and electoral results suggests a clear shift in the pattern of discontent in the region: satisfaction with the political and socioeconomic situation increased over the 2000s and fell over the following decade, even before the COVID-19 pandemic. In fact, different measures suggest that discontent in the region may have returned to the levels of the early 2000s or even below.

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## 3. SOURCES OF DISCONTENT

Economic, social, and political discontent is a complex phenomenon driven by multiple factors. In this paper, we focus on the relationship between discontent and the economic situation, proxied by per capita income. In a companion paper (Gasparini et al. 2024) we extend the analysis to other dimensions—employment, education, and housing. Since the results are similar across dimensions, we present here the more parsimonious analysis focused solely on income.

We explore three potential sources of dissatisfaction associated with (i) the change in incomes in a given period (the *absolute* component), (ii) the gap between expectations and the actual value of the change in income (the *expectations* component), and (iii) the change compared to other groups (the *relative* or inequality component).

The first and third factors do not require extensive discussion. The fact that individual well-being, and other related variables such as satisfaction, is a function of economic outcomes is well-established in the literature (Deaton and Kahneman 2010; Killingsworth 2021; Stevenson and Wolfers 2008; 2013). Also, it is widely accepted that individual well-being depends not only on changes in one's own outcomes, but also on changes relative to others (Alesina, Di Tella and MacCulloch 2004; Clark, Frijters and Shields 2008; Diener et al. 1993). If, for instance, income increases but the rise is substantially lower than that of a comparison group, that asymmetry may trigger a sentiment of increasing discontent.

In this paper, we focus particularly on the second factor, which, while less mainstream, is nonetheless well recognized. There are a growing number of studies in psychology, sociology, and various strands of economic literature (*e.g.* subjective welfare, behavioral) suggesting that individual well-being depends, among other factors, on the gap between actual outcomes and expectations. Since expectations are partly based on past experiences, the gap between the current and past experiences can be a source of discontent. In particular, several studies find that if predictions about an event, partly based on past experiences, turn out to be not as good as expected, this may contribute to reducing individual well-being (Davis 1981; Schwartz 2004; Vermunt, Spaans and Zorge 1989).

More recent studies highlight the importance of expectations in determining happiness levels. In a large-scale experiment (The Happiness Project of Max Planck Centre UCL for Computational Psychiatry), Blain and Rutledge (2020) find that happiness is related less to people's actual outcomes than to whether they are doing as well as they expected. Economic research on this issue has been partly attracted by the Easterlin paradox. For instance, Clark (2016) surveys evidence for *adaptation*—the fact that individual well-being depends on the comparison between current and past income—and its role in accounting for the Easterlin paradox.

The expectations component is also related to the *Tocqueville effect*. According to the argument put forward by Alexis de Tocqueville, as social conditions and opportunities improve, social frustration grows more quickly. In fact, Tocqueville suggested that the French and American revolutions were not a result of the failure of the preceding regimes but rather stemmed from a sense of incomplete progress. Ferreira and Schoch (2020) stress this argument as a potential driver of the protests and manifestations in several Latin American countries in 2019.

In the following section, we exploit harmonized microdata from national household surveys to explore the relevance of these three factors of discontent amid rising dissatisfaction in Latin America.

## 4. INCOME CHANGES

To what extent could the recent discontents in Latin America be linked to a slowdown, stagnation, or even a decline in real incomes? We are particularly interested in the contrast between the 2010s, where manifestations of discontent were more frequent, and the previous decade. Given data availability at the time of writing, we choose to divide our period of analysis into two decades: 2002–2012 and 2012–2022. For simplicity we label the first time window as "the 2000s" and the

second one as the "2010s." Due to data issues to be discussed below, we exclude three countries in our analysis: Guatemala, Nicaragua, and Venezuela. In Table 3 we present the mean growth rates in per capita GDP in two panels: the first one for our sample of 14 countries and the second for all countries.[2] The contrast in growth between the two decades is marked: annual GDP growth slowed by more than 2 percentage points, dropping from 3.2% in the 2000s to 1.1% in the 2010s. This slowdown was more pronounced in South America than in Central America.

| | OUR SAMPLE—14 COUNTRIES | | | ALL—17 COUNTRIES | | |
|---|---|---|---|---|---|---|
| | LATIN AMERICA | SOUTH AMERICA | CENTRAL AMERICA | LATIN AMERICA | SOUTH AMERICA | CENTRAL AMERICA |
| 2002–2012 | 3.2 | 3.6 | 2.4 | 3.5 | 3.6 | 3.2 |
| 2012–2019 | 1.1 | 0.9 | 1.6 | 1.5 | 0.9 | 2.4 |
| 2012–2022 | 1.1 | 0.9 | 1.4 | 1.4 | 0.9 | 2.0 |
| Differences 2010s with 2000s | | | | | | |
| excluding post-2019 | −2.1 | −2.7 | −0.8 | −1.9 | −2.7 | −0.9 |
| including post-2019 | −2.1 | −2.7 | −0.9 | −2.1 | −2.7 | −1.2 |

**Table 3** Annual growth rates in per capita gross domestic product (GDP).

*Source*: Own elaboration based on World Bank data. Notes: The table presents unweighted mean values across countries. Values are expressed in purchasing power parity (PPP) terms, using constant 2021 international dollars. "All" includes 17 continental Latin American countries (excluding Venezuela) and Dominican Republic, while "Our sample" further excludes Guatemala, Nicaragua, and Dominican Republic.

In 2020, all the economies in the world were hit by an unexpected negative shock: the COVID crisis. The region suffered a harsh economic contraction of about 10% in per capita GDP. However, the crisis was short: most economies recovered by 2021 or 2022. In most of the analysis we consider the period 2012–2022 as "the 2010s," and then include the effect of the COVID crisis, which, as we mentioned, seems to have been mostly transitory. However, for robustness, we also show some results defining the 2010s as the period pre-COVID crisis, *i.e.* 2012–2019.

### 4.1. DATA

The main sources of information for the analysis in this section are the national household surveys of each Latin American country. The main advantage of these surveys is that they allow for assessing changes in incomes, not only for the population as a whole but also across different income groups. Table 4 lists the household surveys used in the study. It includes information from all countries in continental Latin America, except for Guatemala and Nicaragua, which conduct comparable surveys only sporadically, and Venezuela, where recent information has become difficult to obtain.[3] The table also shows the specific years used in each household survey for the analysis in this section. Overall, our analysis combines the answers to nationally representative household surveys from more than 40 million people in nearly all Latin American countries for over two decades.

Household surveys are not uniform across Latin America, and in most cases not even within countries over time, making comparability a great concern. Owing to this, the paper makes all possible efforts to make statistics comparable across countries and over time by using similar definitions for variables in each country/year, and by applying consistent data processing methods. Specifically, we follow the harmonization protocols of the Socioeconomic Database for Latin America and the Caribbean (SEDLAC), a joint initiative of CEDLAS at Universidad Nacional de La Plata (CEDLAS) and the World Bank.[4]

National household surveys have several well-known limitations. Arguably the main one is the weakness in capturing capital incomes and the incomes of very wealthy households (Lustig 2020). This limitation has encouraged the use of other data sources, such as administrative records and

2 While "All" includes 17 continental Latin American countries (excluding Venezuela) and the Dominican Republic, "Our sample" further excludes Guatemala, Nicaragua, and the Dominican Republic.

3 Dominican Republic, a Latin American country in the Caribbean, is also excluded due to data limitations. In particular, the change in 2016 from Encuesta Nacional de Fuerza de Trabajo (ENFT) to Encuesta Nacional Continua de Fuerza de Trabajo (ENCFT) generates some large jumps in several indicators.

4 For more information, see the SEDLAC database manual, available on the project's website (SEDLAC 2025).

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| COUNTRY | NATIONAL HOUSEHOLD SURVEY | ACRONYM | YEARS USED IN SECTION 4 | | | |
|---|---|---|---|---|---|---|
| | | | t1 | t2 | t3 | t3' |
| Argentina | Encuesta Permanente de Hogares | EPH | 2003 | 2012 | 2022 | 2019 |
| Bolivia | Encuesta de Hogares | EH | 2002 | 2012 | 2021 | 2019 |
| Brazil | Pesquisa Nacional por Amostra de Domicílios / Pesquisa Nacional por Amostra de Domicílios—Contínua | PNAD / PNADC | 2002 | 2012 | 2022 | 2019 |
| Chile | Encuesta de Caracterización Socioeconómica Nacional | CASEN | 2003 | 2013 | 2022 | 2017 |
| Colombia | Gran Encuesta Integrada de Hogares | GEIH | 2002 | 2012 | 2021 | 2019 |
| Costa Rica | Encuesta Nacional de Propósitos Múltiples / Encuesta Nacional de Hogares | EHPM / ENAHO | 2002 | 2012 | 2022 | 2019 |
| Ecuador | Encuesta de Empleo, Desempleo y Subempleo | ENEMDU | 2003 | 2012 | 2022 | 2019 |
| El Salvador | Encuesta de Hogares de Propósitos Múltiples | EHPM | 2003 | 2012 | 2022 | 2019 |
| Honduras | Encuesta Permanente de Hogares de Propósitos Múltiples | EPHPM | 2003 | 2012 | 2019 | 2019 |
| Mexico | Encuesta Nacional de Ingresos y Gastos de los Hogares | ENIGH | 2002 | 2012 | 2022 | 2018 |
| Panama | Encuesta de Hogares | EH | 2003 | 2012 | 2021 | 2019 |
| Paraguay | Encuesta Permanente de Hogares | EPH | 2002 | 2012 | 2021 | 2019 |
| Peru | Encuesta Nacional de Hogares | ENAHO | 2003 | 2012 | 2022 | 2019 |
| Uruguay | Encuesta Continua de Hogares | ECH | 2002 | 2012 | 2022 | 2019 |

**Table 4** National household surveys and years used in each country.

*Source*: Own elaboration based on information from SEDLAC (CEDLAS and The World Bank).

National Accounts. However, unfortunately, the evidence from administrative sources is still very scarce in the developing world, including Latin America. Therefore, in this paper, we limit ourselves to estimating incomes with microdata from national household surveys. This decision implies that we can accurately measure labor incomes and cash transfers but not capital incomes. In this regard, the income patterns shown in this section likely underestimate the true extent of heterogeneity in the region and may provide a noisy signal of potential dissatisfaction.

Our variable of interest is household per capita income, defined as total family income from all sources divided by the number of members in the household, expressed in PPP USD. We work with data at the individual level. For illustration purposes, we show results by deciles or percentiles. To further summarize the findings, we also present the results for three income brackets: the first five deciles, the sixth to ninth deciles combined, and the tenth decile. For simplicity, we refer to these three groups as the "poor," the "middle class," and the "rich." We prefer to avoid a more in-depth discussion of the elusive definition of classes and instead use this simple, straightforward criterion.

## 4.2. RESULTS

While social and economic dynamics differ across countries, there are common regional characteristics. In what follows, we mainly focus on results for the unweighted average of Latin American countries to illustrate these common patterns and relegate the country-specific results to the Online Appendix.[5]

Figure 3 shows the *growth incidence curves* (GIC) of household per capita income in Latin America. GICs are simple curves proposed by Ravallion and Chen (2003) that display the annualized growth

5 We mostly document unweighted means for Latin America, a practice that is consistent with the typical cross-country approach in the development literature. Weighting by population would produce results strongly affected by highly populated countries, such as Brazil and Mexico, and would overlook the situation in less populated nations, such as Uruguay or El Salvador.

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rate of the variable of interest $x$ for each income percentile $p$.[6] Given the number of observations in household surveys, the GICs often exhibit low-frequency fluctuations (*e.g.* jumps between adjacent percentiles). To alleviate this limitation, we present graphs with smoothed curves instead of the noisier original series. For this purpose, we use non-parametric estimates; in particular LOWESS—locally weighted scatterplot smoothing.

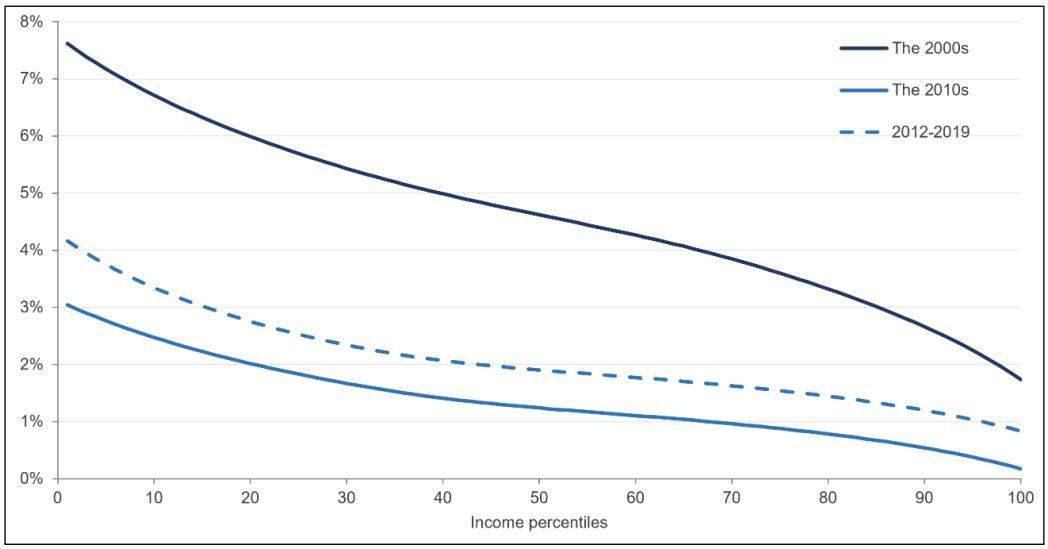



**Figure 3** Growth incidence curve of household per capita income.

*Source*: Own calculations based on microdata from harmonized national household surveys—SEDLAC (CEDLAS and The World Bank). Note: each curve shows the unweighted regional mean of the annual growth rate of household per capita income in USD PPP, by income percentile.

As suggested in Figure 3, real household per capita incomes grew over the 2010s at all percentiles. According to Table 5, real incomes grew at an annual average rate of 1.3% between 2012 and 2022—a performance that, while not extraordinary, is certainly positive. In addition, growth was "pro-poor": the GIC for the 2010s was decreasing at the income percentile level. Real income grew at an annual rate of 2.8% in the 1st decile, 2% in the 2nd decile, and at decreasing rates down to 0.3% in the highest decile.

However, this otherwise acceptable performance was clearly a setback compared to the previous decade. The mean annual growth rate slowed by 3.3 points in the 2010s compared to the previous decade, dropping from 4.6 to 1.3. In other terms, the speed at which incomes grew in the 2010s fell to less than a third of the speed in the 2000s. The deceleration was experienced by all income groups, especially by the lowest quantiles of the distribution. The annual growth rate in incomes in the 2010s for the first decile was reduced by 4.4 points compared to the previous decade. The size of the deceleration was 4 points for the second decile, 3.8 for the third, down to 1.8 for the top decile. The contrast between decades is starker for South America (see Online Appendix). The difference in the mean annual growth rates between decades is 4.8 points. The reduction in the speed of income growth amounts to 5.7 in the poorest decile, 5.6 in the second, 5.5 in the third, down to 2.6 for the top decile. Instead, changes were milder in Central America: the annual income growth rate fell just 0.5 points between decades. The deceleration was larger for the low-income groups: 2.1 points in the bottom decile, 1 point in the second, and less than 1 for the rest.

### 4.3. THE COVID-19 CRISIS

So far, we considered changes between 2012 and 2022, but that decade includes a large unexpected widespread negative shock: the COVID crisis. Could it be that the current discontents may stem from an insufficient recovery after the COVID-19 crisis? To assess this point, we truncate

6 The GICs are anonymous assessments of changes, in the sense that the outcome $x$ is compared for the same percentile $p$ at two different points in time, rather than for the same household or individual. Beyond its conceptual advantages, anonymous mobility assessment has clear implementation advantages: it requires a series of cross-sectional surveys rather than a panel that follows the same people over time. Anonymous and non-anonymous measurements coincide in the case where there are no rearrangements (changes in the ranking) in the income distribution. See Bourguignon (2011) and Berman and Bourguignon (2024) for further discussion on GICs, and Gasparini and Bracco (2023) for an extensive use of these curves in Latin America.

| | THE 2000S | 2010S = 2012–2022 | | | 2010S = 2012–2019 | | |
|---|---|---|---|---|---|---|---|
| | | THE 2010S | DIFFERENCE IN OUTCOME RELATIVE TO THE | | THE 2010S | DIFFERENCE IN OUTCOME RELATIVE TO THE | |
| | | | PREVIOUS DECADE | MEAN | | PREVIOUS DECADE | MEAN |
| | (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) |
| 1 | 7.2 | 2.8 | −4.4 | 1.5 | 3.9 | −3.4 | 1.8 |
| 2 | 6.0 | 2.0 | −4.0 | 0.7 | 2.6 | −3.4 | 0.6 |
| 3 | 5.5 | 1.7 | −3.8 | 0.3 | 2.3 | −3.1 | 0.3 |
| 4 | 5.1 | 1.4 | −3.6 | 0.1 | 2.1 | −3.0 | 0.0 |
| 5 | 4.8 | 1.3 | −3.5 | −0.1 | 1.9 | −2.9 | −0.1 |
| 6 | 4.5 | 1.1 | −3.3 | −0.2 | 1.8 | −2.7 | −0.2 |
| 7 | 4.1 | 1.1 | −3.0 | −0.3 | 1.7 | −2.4 | −0.3 |
| 8 | 3.7 | 0.9 | −2.8 | −0.4 | 1.6 | −2.1 | −0.4 |
| 9 | 3.3 | 0.8 | −2.5 | −0.6 | 1.4 | −1.8 | −0.6 |
| 10 | 2.1 | 0.3 | −1.8 | −1.0 | 1.0 | −1.1 | −1.1 |
| Mean | 4.6 | 1.3 | −3.3 | 0.0 | 2.0 | −2.6 | 0.0 |
| Income groups | | | | | | | |
| Deciles 1 to 5 | 5.7 | 1.8 | −3.9 | 0.5 | 2.6 | −3.2 | 0.5 |
| Deciles 6 to 9 | 3.9 | 1.0 | −2.9 | −0.4 | 1.6 | −2.2 | −0.4 |
| Decile 10 | 2.1 | 0.3 | −1.8 | −1.0 | 1.0 | −1.1 | −1.1 |

**Table 5** Annual growth rate in real household per capita income, Latin America.

*Source*: Own calculations based on microdata from harmonized national household surveys—SEDLAC (CEDLAS and The World Bank). Note: This table shows the unweighted regional mean of the annual growth rate of household per capita income in USD PPP, by income decile.

the decade and consider only the period 2012–2019. Partly, the results are similar to those discussed before: the strong deceleration in income growth is also present in this time window, and the pattern of the deceleration along the income distribution is similar (Figure 3). There is one significant difference, though: the contrast with the previous decade is larger when extending the time window to 2022. This is likely the consequence of the setbacks associated with the pandemic. In most countries and percentiles, incomes had not fully recovered in 2022 from the COVID shock, and even in those that did recover, the recovery was not enough for the growth rate for 2012–2022 to be greater than the growth rate for the shorter period of 2012–2019 (see second panel of Table 5). In sum, COVID-19 added a serious setback to an already sluggish path for incomes in the region. These struggles might have exacerbated social discontents.

## 4.4. RELATIVE CHANGES

Columns (iv) and (vii) in Table 5 record the gap between income growth in a given decile and growth in the mean. The main result is that changes in the 2010s were mildly equalizing. Typically, income growth rates were higher for the bottom deciles of the distribution than for the rest. For instance, the income growth rate was 1.5 points higher in the bottom decile than in the mean. This gap is smaller but positive for deciles 2 to 4 and becomes negative for the rest. Restricting the analysis to the pre-pandemic period does not affect the results. In sum, if household surveys provide a reasonable approximation of changes in income, and if relative income changes are a source of discontent, that factor should have been relevant only for the middle class and the rich, but not for the poor.

## 4.5. COUNTRY-SPECIFIC EVIDENCE

In the Online Appendix, we present the GICs for household per capita income of all the countries included in the analysis. The patterns in income changes discussed above are common to most countries, although with different intensities. We conclude that in most countries (11 out of 14), for all groups, there are reasons for discontent based on comparative changes with the previous decade. In six of these countries (Brazil, Chile, Ecuador, Panama, Paraguay, and Uruguay), absolute

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changes were positive for all groups, while in four economies absolute changes were positive for the poor but not for the rest (Bolivia, Colombia, Costa Rica, Peru). In just one country, Argentina, absolute changes were negative for all groups. Finally, in only three countries, El Salvador, Honduras and Mexico, the income performance in the 2010s was better than in the previous decade for most, although not all, groups.

Figure 4 is an illustration of the potential sources of changes in discontent. In each panel, the bars to the left are signs of potential discontent. The first panel shows that, apart from Argentina and a very small subset of groups in other countries, there is little reason to expect an increase in discontent based on absolute income changes. Instead, in the second panel, most bars are located to the left of the vertical axis. This indicates a widespread deceleration of income growth for nearly all countries and income groups, which could have contributed to fueling a generalized sense of frustration across the region.

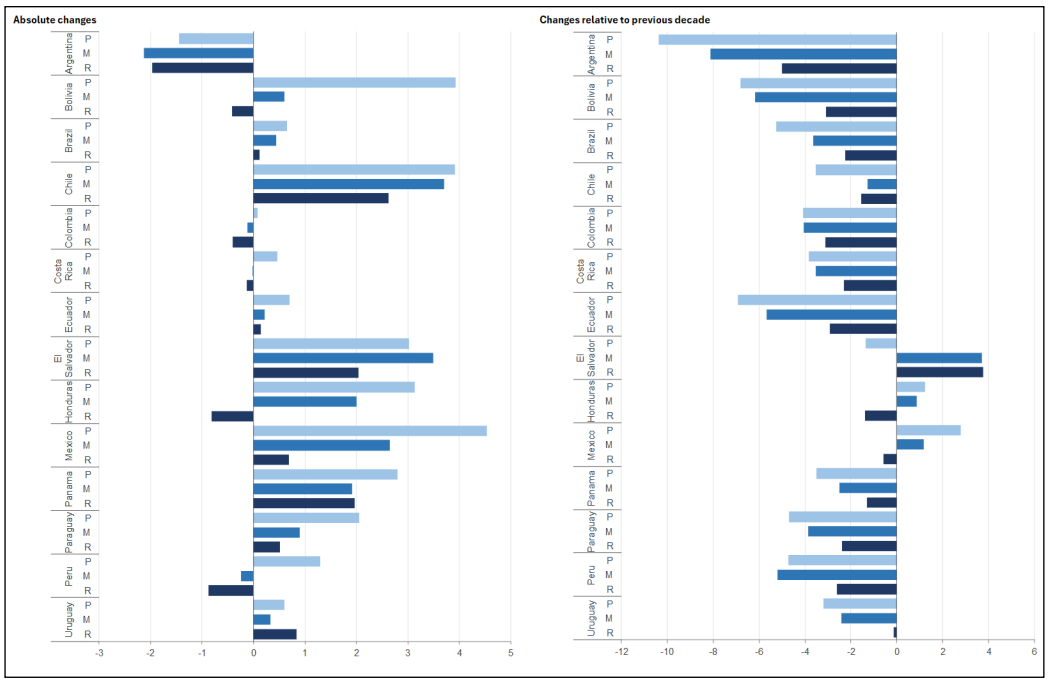



**Figure 4** Potential reasons for changes in discontent in the 2010s based on income growth (absolute and relative to previous decade).

*Source*: Own calculations based on microdata from harmonized national household surveys—SEDLAC (CEDLAS and The World Bank).

In sum, in most countries, income growth recorded in household surveys in the 2010s has been positive for all groups, even when considering the post-pandemic period. Potential reasons for changes in discontent are more likely rooted not in absolute changes but in relative changes compared to the previous decade. The contrast with the recent past has been clearly negative in most countries for most income groups.

## 5. DECELERATION AND DISCONTENT

In this section, we complement the previous analysis with estimates of models that explore the relationship between discontent and changes in the economic situation. We acknowledge the challenges of establishing causal links and, therefore, interpret the regression results as only suggestive evidence of phenomena that warrant further investigation.

As a starting point, we explore models at the country level. In particular, we assume that the average level of satisfaction (approval/confidence) in a country is a function of its economic situation and the country's growth rate. Formally,

$$S_{ct} = \beta_0 + \beta_1 lnY_{ct} + \beta_2 g_{ct} + F_c + \varepsilon_{ct} \quad (1)$$

where $S_{ct}$ is a variable that captures the mean level of satisfaction (the opposite of discontent) in country $c$ at time $t$, $Y$ represents a measure of the economic situation, $g$ its growth rate, and $F_c$ are country fixed-effects. The second term in the RHS of (1) captures the absolute component:

satisfaction increases if economic conditions improve. The third term reflects the expectations component: satisfaction rises (declines) when the growth rate accelerates (decelerates) relative to expectations, which are implicitly associated with the previous period.

In our estimations, variables *S* represent the four satisfaction measures of Table 1, constructed from Latinobarómetro, while *Y* corresponds to per capita GDP in constant 2021 PPP dollars, obtained from the World Development Indicators compiled by the World Bank. The results are presented in Table 6. The first panel displays models using yearly data. Considering that people may form expectations and opinions over longer periods, the second panel presents models based on five-year averages of all variables. Naturally, the drawback of this approach is a significant reduction in the number of observations.

Given the small number of observations in all models, Table 6 reports cluster-robust standard errors using wild cluster bootstrap. Nonetheless, the results are similar when using the conventional cluster correction or the heteroskedasticity-robust correction (results available in the Online Appendix).

**Table 6** Models of satisfaction at the country level.

*Source*: Own calculations based on microdata from harmonized national household surveys—SEDLAC (CEDLAS and The World Bank).

*Note*: Standard errors in parentheses. Cluster-robust standard errors using wild cluster bootstrap.
$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

| | YEARLY DATA | | | | 5 YEAR DATA | | | |
|---|---|---|---|---|---|---|---|---|
| | ECONOMIC SITUATION | APPROVAL GOVERNMENT | CONFIDENCE GOVERNMENT | SATISFACTION DEMOCRACY | ECONOMIC SITUATION | APPROVAL GOVERNMENT | CONFIDENCE GOVERNMENT | SATISFACTION DEMOCRACY |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| log GDP pc | 26.97*** | 7.48 | 0.61 | 8.71 | | | | |
| | (5.07) | (12.93) | (8.02) | (6.89) | | | | |
| growth rate | 0.79*** | 1.33** | 1.04*** | 0.83*** | | | | |
| | (0.13) | (0.52) | (0.27) | (0.15) | | | | |
| log GDP pc | | | | | 23.21*** | 6.85 | −0.70 | 5.60 |
| | | | | | (5.25) | (13.38) | (9.21) | (7.00) |
| growth rate | | | | | 2.21*** | 5.82*** | 4.37*** | 2.55*** |
| | | | | | (0.49) | (1.17) | (0.70) | (0.49) |
| Constant | −259.60*** | −29.45 | 28.29 | −49.16 | −222.76*** | −25.15 | 38.56 | −18.93 |
| | (70.79) | (106.17) | (81.57) | (85.93) | (69.88) | (109.87) | (81.44) | (84.28) |
| Observations | 352 | 319 | 320 | 352 | 68 | 68 | 68 | 68 |
| R-squared | 0.482 | 0.182 | 0.310 | 0.529 | 0.714 | 0.572 | 0.640 | 0.769 |
| Country FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

The results in Table 6 are consistent with the relevance of the expectations component. In all models, the growth rate coefficient is positive and statistically significant. Moreover, the size of the coefficients suggests that a deceleration in growth may be associated with a decline in approval of the economic and political situation. For example, consider a representative country with average per capita GDP that experiences a slowdown in per capita GDP growth from 3.5% to 1.4%—the average deceleration from the 2000s to the 2010s reported in Table 3. According to the estimates in Table 6, such a country would see a decline in all satisfaction measures, despite experiencing positive economic growth.

We now turn to a similar model with more disaggregated data. We exploit data from national household surveys discussed in previous sections at the income group level. Formally, we run the following regression separately for each income group *i*:

$$S_{ict} = \beta_0 + \beta_1 lnY_{ict} + \beta_2 g_{ict} + \beta_3 (g_{ict} - g_{rct}) + F_c + \varepsilon_{ict} \quad (2)$$

where *i* represents the three income groups discussed earlier: the poor, the middle class, and the rich. Variable $Y_i$ is now the mean level of household per capita of group *i* recorded in national household surveys, and $g_{it}$ its growth rate over period *t*. Equation (2) adds a term that captures the

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relative component: satisfaction may increase (fall) if economic conditions of the group improve more (or less) than those of a reference group *r*.

To estimate equation (2), we need to define income groups in Latinobarómetro. However, these surveys do not include direct income questions. To approximate household income, we implement several alternative approaches. Table 7 presents results using an income/wealth index constructed with principal components analysis (PCA) based on variables reported in Latinobarómetro. Specifically, we use the first principal component from a PCA applied to educational attainment, access to a computer, car ownership, sewerage and hot water access, and the interviewer's

**Table 7** Models of satisfaction at the income group level.

*Source*: Own calculations based on microdata from harmonized national household surveys—SEDLAC (CEDLAS and The World Bank). Note: Standard errors in parentheses. Cluster-robust standard errors using wild cluster bootstrap.

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$.

| YEARLY DATA | | | | |
|---|---|---|---|---|
| | ECONOMIC SITUATION | APPROVAL GOVERNMENT | CONFIDENCE GOVERNMENT | SATISFACTION DEMOCRACY |
| Poor | | | | |
| income level | 12.79*** | −7.20 | −4.63 | 3.24 |
| income growth rate | 0.22** | 0.55* | 0.45** | 0.42** |
| relative growth | 0.00 | 0.01 | 0.08 | −0.23** |
| R-squared | 0.378 | 0.186 | 0.268 | 0.513 |
| Middle class | | | | |
| income level | 22.45*** | −15.33 | −6.96 | 7.93 |
| income growth rate | 0.39*** | 0.70** | 0.64** | 0.47** |
| relative growth | −0.16 | −0.05 | 0.06 | −0.31 |
| R-squared | 0.406 | 0.156 | 0.298 | 0.568 |
| Rich | | | | |
| income level | 29.38** | −22.50 | −10.93 | 6.39 |
| income growth rate | 0.48*** | 0.75*** | 0.66** | 0.42* |
| relative growth | −0.61*** | −0.59* | −0.62*** | −0.38* |
| R-squared | 0.347 | 0.153 | 0.339 | 0.550 |
| Observations | 283 | 259 | 260 | 283 |
| **5 YEAR DATA** | | | | |
| | ECONOMIC SITUATION | APPROVAL GOVERNMENT | CONFIDENCE GOVERNMENT | SATISFACTION DEMOCRACY |
| Poor | | | | |
| income level | 13.69*** | −4.52 | −3.61 | 2.11 |
| income growth rate | 0.64** | 1.39 | 1.12* | 0.74 |
| relative growth | 0.24 | −0.30 | −0.10 | −0.67 |
| R-squared | 0.663 | 0.359 | 0.426 | 0.691 |
| Middle class | | | | |
| income level | 23.43*** | −12.40 | −6.98 | 7.25 |
| income growth rate | 1.16*** | 1.55 | 1.54** | 0.81** |
| relative growth | −0.46 | −1.38 | −0.15 | −0.74 |
| R-squared | 0.649 | 0.331 | 0.482 | 0.750 |
| Rich | | | | |
| income level | 30.57** | −22.03 | −14.16 | 3.33 |
| income growth rate | 1.38*** | 1.66 | 1.51** | 0.80* |
| relative growth | −1.29*** | −1.04 | −1.26* | −0.47 |
| R-squared | 0.582 | 0.324 | 0.547 | 0.751 |
| Observations | 54 | 54 | 54 | 54 |

subjective assessment of the respondent's economic situation. Based on this first component, we divide the sample into deciles and then classify households into "income groups" to mirror categories derived from household survey data (*i.e.* the poor = deciles 1–5, middle class = deciles 6–9, rich = decile 10). Results are robust to different methods of aggregating household well-being proxies and to an alternative measure based on respondents' self-perceived position on the income ladder (see Online Appendix).

The results of estimating equation (2), summarized in Table 7, are consistent with the previous discussions.[7] In particular, the coefficients of the growth rate are always positive and, in almost all cases, statistically significant for all questions, all income groups, and both for the estimations with yearly and quinquennial data.[8] Figure 5 summarizes these coefficients. Consistent with the results from equation (1), the magnitude of the growth coefficients suggests that if incomes rise but growth decelerates relative to a previous period, discontent may increase. For example, a representative middle-class household experiencing a slowdown in income growth from 3.9% to 1.6%—the actual deceleration between the 2000s and the 2010s—would see a decline in all satisfaction measures in Latinobarómetro.

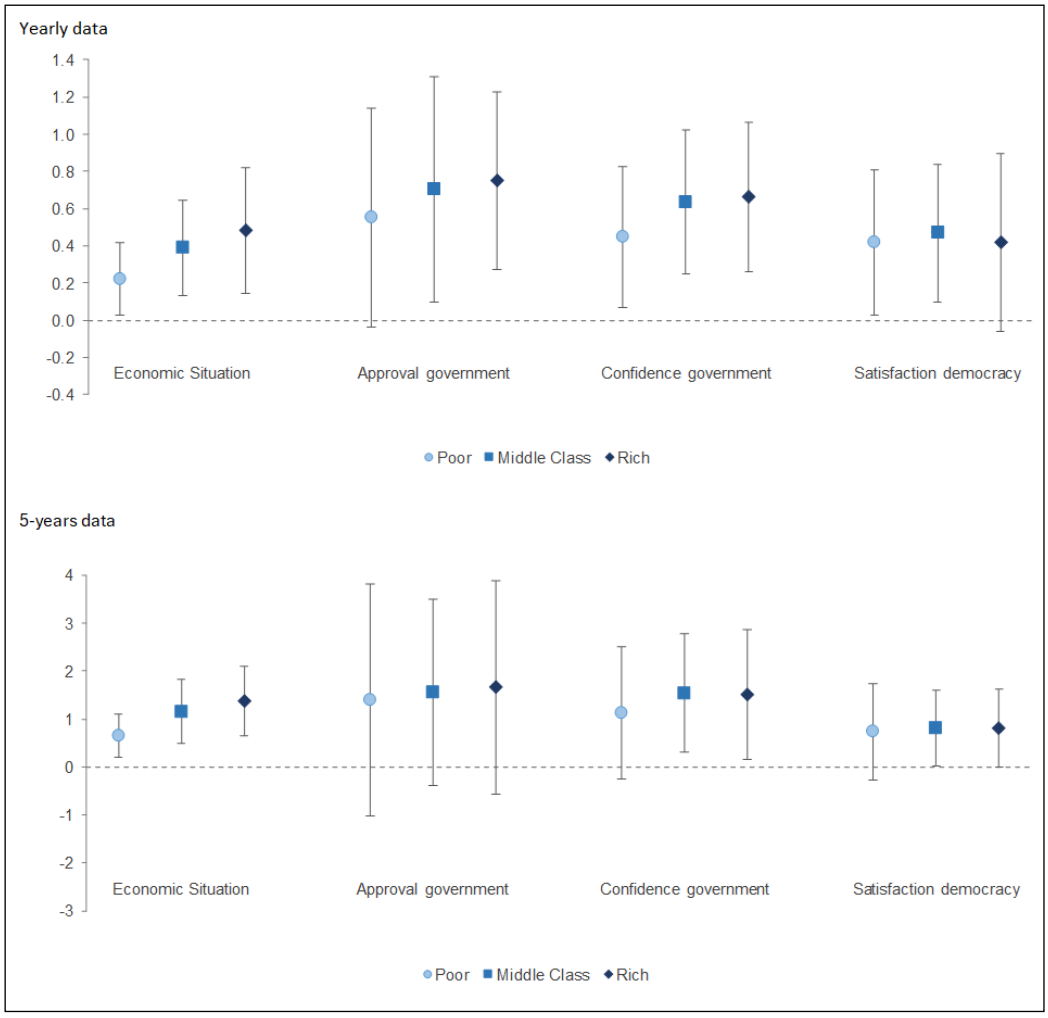



**Figure 5** Coefficients of the income growth rate in the discontent regressions.

*Source*: Own calculations based on microdata from harmonized national household surveys—SEDLAC (CEDLAS and The World Bank).

*Note*: Cluster-robust standard errors using wild cluster bootstrap.

## 6. CONCLUDING REMARKS

In recent years, Latin America has experienced widespread public discontent. Surveys on subjective well-being and perceptions highlight social frustrations, while political fragmentation, polarization,

7 We show the results assuming that the income growth rate for reference group $c$ of group $i$ ($g_{ict}$) is the mean growth rate of the other income groups. We also estimate models considering instead the mean growth rate of all the population, and models with the growth rate of each possible comparison group separately. Results are robust to these changes.

8 The relative (inequality) factor is mostly non-significant in all specifications.

and instability have been increasing. These grievances do not follow a single political trajectory; rather, they reflect a broader dissatisfaction and a tendency to hold governments accountable, regardless of their political orientation. As a result, many countries have undergone dramatic shifts in the political orientation leanings of their administrations.

Discontent within societies can stem from a multiplicity of factors, each playing a distinct role in shaping public sentiment. Government corruption and insecurity are frequently cited as primary contributors to discontent, eroding trust in institutions. Social media amplifies these sentiments by providing a platform for the rapid dissemination of information and the mobilization of public opinion. However, underlying economic conditions often serve as the foundation upon which other factors build. Economic dissatisfaction can exacerbate feelings of discontent and frustration, making individuals more receptive to messages highlighting governmental failures or social injustices.

In this paper we contribute to the exploration of potential factors behind recent discontents by documenting and analyzing changes over the past decades in incomes captured in national household surveys, along the whole income distribution of almost all Latin American countries. Our analysis is based on the literature in economics and other social sciences that suggests that changes in dissatisfaction depend on the change in outcomes (the *absolute* component), the gap between expectations and the actual value of the change in outcomes (the *expectations* component), and the change compared to other groups (the *relative* component).

We conclude that the absolute component does not seem to be a prime driver of the wave of discontent in Latin America, since income changes in the 2010s were positive along the entire income distribution. Instead, the evidence shown in this paper highlights the potential relevance of the expectations component. If peoples' levels of discontent are a function of the comparison between actual changes in outcomes and those expected from previous experiences, then almost all of our results point to the relevance of this factor. For all income groups, the performance in the 2010s was lower than that of the previous decade. The results for the inequality component are more nuanced, and in our econometric analysis seem less relevant.

In summary, our results stress the fact that the stark contrast between the actual outcomes in the 2010s and the expectations set by the much stronger performance in the previous decade may have contributed to fostering a sense of frustration that manifested in conflict and a call for significant political changes. On top of this scenario, the COVID-19 crisis added a serious (although transient) setback to an already sluggish path for development in the region.

Our analysis reveals significant heterogeneities across countries and regions. The results of the paper suggest more potential for discontent in South America than in Central America and Mexico. There are also considerable differences within each region. For instance, in South America, potential reasons for discontent were substantially stronger in Argentina than in neighboring Uruguay.

A final word of caution in interpreting the results. We stress the potential role of the contrast between the 2000s and 2010s as a driver for discontent. However, we are not arguing about differences in policies between decades, nor are we suggesting the need to return to the policies implemented in the 2000s. The struggles in the 2010s could have been caused by policy deficiencies, but also by a worse international scenario (*e.g.* the end of the commodity super cycle), and in part they could even be the consequence of some poorly conceived policies from the previous decade (*e.g.* running fiscal deficits in some countries). In sum, the evidence in the paper should be read as a contribution to the understanding of the discontent in Latin America, and not as an assessment of policies.

## ADDITIONAL FILE

The additional file for this article can be found as follows:

- **Supplementary file.** Online Appendix. DOI: https://doi.org/10.31389/eco.554.s1

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## COMPETING INTERESTS

The authors have no competing interests to declare.

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