We analyze the per capita output growth performance since 1960 of countries in Latin America and the Caribbean (LAC) and assess the respective contributions of production factors and productivity. Following the growth-accounting literature, we focus on total factor productivity (TFP), which measures the overall efficiency with which factors of production are utilized in the economy and is determined by both market forces, such as financial frictions, and public policy, such as distortionary regulations or public infrastructure. Using a worldwide panel of countries, we first find strong evidence that, relative to countries with the same output per capita, LAC countries have a large average growth shortfall (of 0.7% per annum) that is almost entirely driven by subpar productivity growth. This finding holds across LAC countries. Second, while growth performance in LAC countries has generally improved substantially after 1990, regional productivity growth remains subpar and the productivity gap with respect to the US widened in virtually all LAC countries. We then ask to what extent high inequality in LAC countries is statistically associated with subpar productivity growth, and in this way shed light on the nature of the region’s inefficient use of its growing stock of productive factors. We find that, in fact, the high Gini index of disposable income in LAC countries goes a long way to account for their subpar productivity growth. However, high inequality does not account for the region’s overall poor per-capita output growth because it is also associated with a high rate of factor accumulation