Latin America: Poverty And Inequality Essay, Research Paper

Latin America

Poverty and Inequality

This avalanche of negative points summarizes problems that have persisted in Latin American countries for decades. In addition, as usual, the group in these countries to pay the highest price is the poor. However, what factors have been the main causes of persistent high levels of poverty, and high-income differentials in Latin American countries? Furthermore, just how serious is the situation of the poor today in each individual Central and South American country? In essence, the major factors working against decreasing the existent levels of poverty, and bettering the income position of the poor in relations to the rich are 1.) The inherited complex political structure 2.) The adopting of protectionism policies in favor of the elite, and 3.) The increases in foreign dependency that these countries both possess and have, regarding the last factor, engaged in.

The political arena of Latin American countries has been one of constant government instability, great tension, and social chaos. In fact, countries such as Nicaragua where revolutions took place and countries such as Chile, Cuba, and Panama where dictatorships persisted had only considerable increases in economic growth until the early 90’s, which signaled the end of revolutions and dictatorships. For instance, Nicaragua went from a –2.0% during the 1980’s to a positive 0.5% annual economic growth in the early 90’s, Chile from 4.1% to a substantial 7.5%, and Panama from a 0.3% to a superb 7.0%. However, why have poverty levels in these countries persisted when economic growth took place for the late 80’s early 90’s period? The main cause lies within a political structure where a minor group of privileged leaders govern a country with a deeply rooted system of corruption and of immense abuses of power. In fact, most of the movements intervening to overthrow an existing corrupted government, specifically the case of Central America, brought with them similar ideals to that of the previous rulers. Ideals that set out to benefit the leaders in power and the rich aristocrat’s “the elite” that had supported the new authoritarian government. As a result, the solution presented by new leaders to a recurring political problem consisted in a similar camouflaged form of corruption that had as main objective the welfare of a few privileged citizens.

According to the modernization theory, one of the positive outcomes of industrialization, and economic growth is an increase in the number of educated people in the population. Therefore, as the number of literate citizens within the population increases, governments begin to experience a great deal of pressure from a more participant educated working class, demanding that governments follow more democratic economic policies fair to all social groups. However, the modernization theory did not prove to be 100% true in Latin America. Despite a better educated population share in most Latin countries, even in 1994 we find that largely this outdated system of abuses is still alive and functioning with some of the old criteria’s. This conclusion derives from the fact that on average in 1994 most Latin American countries’ gini-ratio oscillated between the incredibly high figures of 50 and 55. Supported by both a continuing paternalism, and the government’s fidelity to the welfare of the “elite”, the economic policies adopted by Latin American leaders have made no, or very little, attempt to share any economic growth with the helpless poor.

For the assessment of economic growth and inequality in Latin American countries, let me analyze the changes in both the agriculture and industrial sector by country, and compare the results obtained to the levels of inequality during the 1980’s and early 90’s. From the 1996 World Development Report we observe that all throughout the 1980’s and early 90’s 7 countries transferred human capital from the agriculture to the industrial sector, 3 decreased human capital from agriculture while keeping that of industry constant, and 8 decreased human capital in both the agriculture and industrial sector. Statistically speaking, 38% of Latin American countries were able to supply better paying jobs by transferring labor from agriculture to industry, 18% experienced decreases of employment in the agriculture sector and no decreases or increases in industry, and 44% had employment downfalls in both agriculture and industry. However, by analyzing the gini-index within each Latin American country, I find that even those countries within the 38% group, that had labor increases in industry, where prior-agricultural employees began to receive better salaries, still had ski-rocket inequality figures. Within this group we find, Costa Rica with a gini-ratio of 46.1, Nicaragua of 50.3, Dominican Republic of 50.5, Colombia of 51.3, Honduras of 52.7, Paraguay not available, and El Salvador not available. Moreover, those countries suffering both reductions in either only agriculture or in both agriculture and industry had considerably elevated gini-ratios. For example, Bolivia, Peru, and Chile belonging to the 18% group show the following results, 42.0, 44.9, and last Chile with 56.5. Consequently, the unemployed numbers in total population rose, and even worst, given that no government followed income redistribution policies, the existent wide gap between the poor and the rich stretched even more. And last, the 44% worst group in Latin American –Guatemala, Ecuador, Panama, Venezuela, Brazil, Mexico, Uruguay, and Argentina– also present gini ratio’s ranging between a minimum of 46.6 in Ecuador and a high of 63.4 in Brazil. Similar negative effects to those incurred by the 18% group, the 44% worst group showed high levels of inequality, and given the considerable increases in unemployment, most likely worst cases of poverty than the other Latin American groups.

As a conclusion, I find that in the two extremes 1. ) Where economic growth took place, for instance Costa Rica’s economic growth of 3.0% annually during the 80’s and 5.6% in the early 90’s, and 2.) Where economic growth was absent, as was the case for Brazil’s critical economic decreases during the 80’s and the early 90’s, from 2.7% annually to 2.2% the levels of income inequality were considerably high. Therefore, for Latin American countries economic growth did not signal decreases in income inequality. As the evidence shows, up to 1996, Latin American leaders implemented policies that lead to economic growth, but hesitated to adopt reforms that would improve the equality of income between the rich and the poor. Therefore, any positive or negative internal or external factor influencing pressure on a country’s economic growth meant one of two things for the Latin American poor. A boost in economic growth signaling that the poor had become slightly less poor with respects to themselves but not the rich, assuming labor transfers from agriculture to industrial. Or, on the other hand, a declining growth emphasized higher unemployment, assuming layoffs in either agriculture or industry, or in both, and consequently, reaching worst poverty levels than before.

During the 1970’s, one principal external factor –international loans or investments– played a significant role in the economic growth of these less developed countries. However, what negative side effects emerged from foreign investment in Central and South America? Many social analysts in Latin America and the United States insist that economic dependence had important political implications for Latin America. Third World elites, backed by the economic and military power of the core nations, mainly the United States, maintained a political system that benefited the few at the expense of the majority. Large amount of the capital in-flows destined to stimulate industrial growth, improve the country’s infrastructure, offer better healthcare services, build better education institutions, and so on, were mismanaged by a small elite and corrupt group of people. Little, or at times no, investments were made in the area of industrial goods, technological innovation, or in important industries, for instance electronics, to be able to enter competitively in the global market. Furthermore, with the economic depression of the 1980’s facing the United States, dependent countries, in this case Latin American ones ended up importing the inflation of the United States.

In fact, in 1994, Latin American countries had an external debt equivalent to a considerable amount of their Gross National Product (GNP). For instance, Costa Rica’s 1996 debt was 59.7% of the country’s GNP, Honduras 70+%, Bolivia’s 89.4%, Panama’s 107%, and Nicaragua’s an amazing 800% of GNP. The external debt of the remaining countries oscillated between 30 – 45 % of their gross national product. Once again the group paying for this exorbitant debt is the poor through higher inflation, lower salaries, higher taxes, less medical benefits, unfinished community aided programs and so on. Moreover, the effects of dependency will be felt for quite some time, unless these loan are forgotten or forgiven by US banks. Up to now a pessimistic view has persisted through all issues covered. However comparing the actual situation today in Latin America with that of three decades ago, we find that there is more political stability, better healthcare services, higher levels of adult literacy –around 65% compared to yesterday’s 20 – 25%.

The revolutionary wars fought in El Salvador, Nicaragua and Guatemala have ceased, and the days of dictators, except for that of Fidel Castro’s government, have come to an end. Transitions being made from authoritarian to more democratic capitalistic governments are preliminary steps taken to the abolishment of the old-system of values. These steps are beginning to undermine the power of the privileged groups. Consequently, I will find the strengthening of the political voice of the poor working class, which will place in power leaders looking after the benefits of all and not a few social groups. Nevertheless, an economic depression as the ones of the 80’s suffered by these countries in the future can recall the authoritarian and self-interested groups back into power.

In conclusion, although most Latin American countries have achieved significant economic growth during the 80’s and early 90’s, the economic situation of most Central and South American low-income poor class has either stayed the same or even worsened through time. These are the causes of a system constituted of corrupt leaders, which have seemed only to exploit the country’s economic resources. Whether the situation of the poor will change in a positive way in the 21st Century will depend on the openness and commitment made by the citizens in adopting a more

Democratic political government.

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