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## Poverty Increasing in Latin America Despite Economic Growth

by LADB Staff

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Although the major focus at the April Summit of the Americas will be trade (see other article in this issue), Chile, as host country, has placed Latin America's persistent poverty on the agenda as well. Despite encouraging growth in Latin America during the past decade, large sectors of the population have seen no improvement, or even a decline, in their standard of living.

At an Inter-American Development Bank (IDB) meeting in Cartagena in mid-March, IDB president Enrique Iglesias said despite economic growth in Latin America, the region has more poor than ever before and a wider gap between the poor and the rich. "Poverty in the region has become worse," said Iglesias. "Some 150 million people, nearly 33% of the population, live in poverty, and half of them live in extreme poverty. Poverty and inequitable income distribution continue to be the most serious problems facing Latin America."

Iglesias called the deep-rooted poverty a black mark on an otherwise shining regional picture. Last year saw "some of the best economic conditions since the "lost decade" of the 1980s, he said. Regional economies grew by 5%, average inflation dropped to one of the lowest levels in 50 years, and an unprecedented US\$71 billion of foreign investment came into the region. But, said Iglesias, the progress was not accompanied by similar improvements in the social sphere. He urged planners to strengthen labor and social security reforms "to compensate the adverse effect of income and work instability," and he called on governments to respond to the most needy groups, including at-risk youth, women heads of households, and indigenous communities.

Similarly, the recent meeting in Brasilia of the Circle of Montevideo, a reflection group created two years ago to examine development in the region, concluded that political reforms are the big new challenge for development. International Monetary Fund (IMF) managing director Michel Camdessus sent a document to the group stressing that "promoting equity is a basic responsibility of the state," and he called for fiscal policies that reduce unequal income distribution and make education and health priorities.

Camdessus recommended cutbacks in "unproductive public spending," such as defense, and supported increased spending that effectively benefits the poor, such as primary, rather than higher, education, and preventive medicine rather than hospital services. He called for more programs to cushion the effects of the economic adjustment programs that the IMF has promoted throughout the region.

### *Economists warned of social consequences of polices*

Although the financial institutions insist that Latin America continue economic reforms, many Latin American leaders are warning that the social fallout could bring disastrous results. Presidents

Ernesto Samper of Colombia and Alberto Fujimori of Peru both told the bankers that benefits of economic reforms need to be distributed more fairly to lessen the social costs in high unemployment and widening income disparities. "The lifting of controls on our economies has helped the movement of speculative capital and international crime such as money laundering and arms trafficking," Samper said.

Even strong economies experience downside A recent Vox Populi poll showed 80% of Brazilians responding believe the government is not doing enough to fight urban and rural poverty. Brazil is the largest economy in Latin America and the most vulnerable to recent Asian financial turbulence which it responded to by doubling interest rates and slashing spending. In addition, Brazil is suffering its highest unemployment rate in more than a decade as the government pursues an aggressive strategy of privatizing state corporations (see NotiSur, 11/14/97).

In neighboring Argentina, privatizing public enterprises, liberalizing labor regulations, and restructuring private industry combined to produce record unemployment that reached 18.3% in 1995. The rise in unemployment affected poverty rates, which rose to 25.5% in 1996. With emergency social programs, the government managed to reduce poverty levels to 20.6% by October 1997, but both unemployment and poverty remain a concern. Although poverty has decreased in Chile since the return to democracy in 1990, 23.2% of Chile's 13.5 million people still live below the poverty line.

Moreover, the Economic Commission for Latin America and the Caribbean (ECLAC) puts Chile alongside Brazil and Colombia as having the worst distribution of wealth, and it said the gap has increased since the return to democracy. Official figures indicate that 39.2% of income was concentrated in 10% of the population in 1990, while in 1994 that same top 10% controlled 40.3% of the wealth. At the same time the poorest 40% only received 13.4% of the income in 1990, and 13.3% in 1994.

### *Persistent poverty plagues much of Latin America*

A child dies every 53 minutes in Ecuador from poverty-related causes, while 800,000 children under 18 work, most of them more than 40 hours a week. The alarming conditions are compounded by the country's slow adoption of economic reforms, constant political crises, and recent battering by El Nino. The conditions hit hardest at children, youth, ethnic minorities, women, and rural dwellers.

Poverty affects 56% of Ecuador's population of 12 million, and chronic malnutrition affects 45% of children under five. In addition, 45 of every 1,000 babies die before their first birthday, two-thirds from preventable diseases. Ecuadoran economists say any significant reduction in poverty would require an average growth rate of between 4% and 6% in the coming years, which they see as unlikely. In Peru, the dramatic reduction in hyperinflation from 7,650% in 1990 to 10% in 1997, and the increase in foreign reserves from US\$105 million six years ago to almost US\$10 billion in 1998, have not benefitted the majority of the population. Peru's Minister of Economy Jorge Camet said recently the government will continue to implement structural reforms and the neoliberal economic policies of the past six years, despite cries from several sectors to "humanize" the policies.

The Confederacion General de Trabajadores del Peru (CGTP) says that the neoliberal economic policies, under the direction of the IMF, have put 1.4 million workers out of work between 1990 and

1996. In 1991, unemployment was 5.9%, and in 1996 it was 9.2%, while underemployment stands at about 73% of the economically active population. A study by the firm Cuanto shows that poverty increased from 46.5% to 49% in the last two years. Half the population suffers from malnutrition because they lack the income necessary to cover their basic nutritional needs, according to the UN's Food and Agriculture Organization (FAO).

For many Peruvians, the social cost of the economic reforms is too high and the number of jobs produced is far short of what is needed. Buying power has been increasingly reduced and the minimum wage in real terms is the lowest in the past 34 years. In Paraguay, international organizations put the level of poverty at 53%, a figure the government does not dispute. Paraguay has one of the highest rates of women who die in childbirth 16 per 1,000 births as well as one of the highest infant mortality rates, 43.3 per 1,000 live births. A recent study showed that 65% of the working population earn less than US\$250 a month. To make a dent in the level of poverty, Paraguay would need to create 100,000 new jobs each year for several years. (Sources: El Nuevo Herald, 03/17/98; Notimex, 03/18/98, 03/19/98, 03/20/98; Spanish news service EFE, 03/23/98; Reuter, 03/16/98, 03/26/98)

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