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Latin America, Caribbean Nations Have Economic Lessons for World Powers

by Andrés Gaudín

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Beginning in October, documents from the World Bank, the European Union (EU) statistics office, various UN agencies, and private organizations made clear the unimaginable gap that has opened between the dominant countries of the Global North and the always-disdained nations of the South, in this case those of Latin America and the Caribbean.

Contrary to what has been a historic constant, however, this time the US and the floundering European economies have observed Latin America's healthy economic indicators. Those indicators show that the inclusive policies applied by progressive governments that came onto the scene with the new millennium produced employment growth and the capacity to generate new jobs and, consequently, a significant drop in poverty and food-insufficiency indices.

To be sure, the region remains one of the most unequal—and the UN agencies note that—but "with the capacity to show the world, and especially European countries, perhaps not only what they should do with their economies but also what they should not do," said Argentine economist Raúl Dellatorre.

Commenting on a radio program about a report from the Economic Commission for Latin America and the Caribbean (ECLAC), Dellatorre referred to the adjustment policies that international lending institutions have demanded of countries like Greece and Spain. Dellatorre said such policies "are serving only to generate more unemployed and more poor. This has imposed a harsh reality on those societies that could be avoided if they learned from Latin America, which showed that it is not by adjusting or reducing salaries and pensions or by cutting spending on health and social programs that the crisis is solved but rather by applying inclusive policies. It is not by privatizing state businesses but by investing to develop them."

World Bank report leads off good news

The region's good news began on Oct. 3, when the World Bank released its report "The Labor Market Story Behind Latin America's Transformation." It indicates that, despite the economic slowdown in the large South American countries—Brazil and Argentina—regional GDP will continue trending upward, for an average growth rate of between 3.8% and 4% in 2013. Meanwhile, global growth is declining sharply from 4.5% in 2011 to about 2.25% in 2012, with prospects of a larger drop in 2013.

The World Bank report says that Latin America and the Caribbean will close the year with average unemployment at 6.4% and with expectations of even better figures next year.

The report adds an essential observation: "The region’s long history of wage volatility linked to inflation surprises has come to an end. Even during the recent global crisis real wages remained stable without leading to higher unemployment. Behind this development is the rising credibility of the Central Banks in their conduct of monetary policy."
With this brief analysis, although it did not say so explicitly, the World Bank abandoned everything that was its creed during the dark years of the rise of neoliberalism in the 1990s. At that time, its position was that salary increases were a powerful inflationary factor and that healthy and stable salaries were negative for growth. It denied the stimulating role of the internal market and opposed countries' retaining their independence to set monetary policies.

In a complementary report on Oct. 31, the World Bank said that, as a result of the new policies that broke with neoliberalism, between 2000 and 2010 Latin America and the Caribbean generated 35 million jobs.

"The first decade of the 21st century was very good for the job market in Latin America. We have seen educational improvements, a constant increase of women in the work force. We have seen how more and better jobs have been created. We have seen how employment in the informal sector has fallen and how adjustments to the labor market have increased efficiency compared with the 1990s," said Julian Messina, a senior economist at the World Bank, speaking in Lima about job creation in the region.

Messina said that, during the first decade of this century, "Latin American reduced inequality in family income, something that stands in absolute contrast with what is happening in the rest of the world and, fundamentally, with what is happening in the rest of the emerging economies: China, India, and South Africa." But he said that the region continues to have "tremendous inequality," and he warned that "it will not be so easy in the foreseeable future," since the region has specialized in producing raw materials and ignored other aspects of its development.

During this time, countries of the Global North also produced reports showing the South's achievements. On Nov. 1, New Jersey-based consulting firm Automatic Data Processing said that October was the US's best month of the year for job creation, with 158,000 jobs added. At that pace, it would take the great country of the North more than 18 years to match the 35 million jobs created in Latin America in a decade. US unemployment in October was 7.9%.

The next day, the government agency Statistics Canada said that, in the other great country of the North, unemployment had stalled at 7.4% because October saw only 1,800 new jobs. So far in 2012, 229,000 jobs have been created, but 37,000 were government jobs. Canada would need 152 years to create the 35 million jobs created in Latin America.

In Europe, the situation is dramatic. On Nov. 28, Eurostat, the EU's statistics office, said that in October, rather than creating jobs, the 17 countries that adopted the euro as their common currency lost 173,000 jobs, four per minute. This has brought Spain's unemployment rate to 26.2% (55.9% among those under 25 years of age), and in Greece unemployment approaches 25.4% and is 57% among those under 25.

**Figures from FAO, ECLAC differ**

On Nov. 22, the UN's Food and Agriculture Organization (FAO) released its food-security report "Panorama de la Seguridad Alimentaria y Nutricional en América Latina y el Caribe 2012." It showed that, in the last two decades, the number of persons suffering from hunger fell from 65 million to 49 million, "which implies that 8.9% of the regional population lacks the necessary daily caloric intake."
Despite the dramatic picture of those hungry poor, the FAO praised Latin America's performance, saying it was "the region that reduced hunger the most rapidly, coming close to fulfilling the first Millennium Development Goal: to reduce by half, between 1990 and 2015, the percentage of persons suffering from hunger in the world."

A few days later, on Nov. 27, it was ECLAC's turn, and its data conflicted with that of the FAO. ECLAC executive secretary Alicia Bárcena said that 66 million people remain mired in extreme poverty—of whom 51% are children—and 167 million are poor, 29% of the region's population. The UN agencies agreed, however, that Argentina, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela had the best results for reducing poverty. The FAO went further, saying that Argentina, Chile, Cuba, Mexico, Uruguay, and Venezuela had "managed to eradicate hunger."

Last May, a study by the Centro de Investigación y Acción Social (CIAS) of the Venezuelan province of the Society of Jesus (Jesuits) presented an optimistic outlook for the region for this and the coming year despite the global crisis that corrodes the major countries. The study took care to point out the risks and opportunities that exist.

"Latin America has a favorable outlook for 2012, which could extend to 2013 thanks to higher prices for raw materials and increased trade with Asia. This means that, although the European and US crises could impact the regional economy, the fundamental risk is the cooling of the economies of India and China. An enormous danger also exists from a speculative bubble as a result of the price of raw materials similar to what happened in 2008 with the real estate and mortgage sectors, whose collapse provoked the present crisis. The bursting of this bubble would have a disastrous fallout in Latin America and the Caribbean. Consequently, those countries should take advantage of the economic boom to diversify production and develop their industry. The global crisis is a threat that can become an opportunity with the application of relevant economic and social policies," said the Venezuelan Jesuits, whose fellow Jesuits disseminated the study throughout Latin America.

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