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Costa Rica: Report On Impact Of Austerity Policies

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On Feb. 20, daily newspaper La Republica published "confidential" results of a study conducted by Labor Ministry on effects of government economic austerity policies in recent years. According to the report, the number of Costa Ricans living in extreme poverty (defined as inability to satisfy basic needs) increased from 496,733 in 1990 to 599,528 in 1991. The 1991 figure is equal to about 20% of the population. The report states that structural adjustment programs in place since 1985 have caused a decline in workers' purchasing power, increased unemployment, and a widening of the gap between the rich and poor. In 1991, private sector real wages dropped by 10%, and in the public sector, 15%. The government laid off over 7,000 civil servants last year. Contrary to official statements at the time of the layoffs, only a handful of the 7,000 have been able to find alternate employment. In contrast, the study indicates that business owners in the non-traditional export sector, import activities, and financial services have benefitted from current economic policies. Non-traditional exporters have been targeted by generous subsidies and fiscal incentives. Importers' profits have increased due to elimination and reduction of tariffs. (Basic data from Agence France-Presse, Agencia Centroamericana de Noticias-Spanish news service EFE, 02/20/92)

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