Chapter 22

Latin America: Poverty as a Challenge for Government and Society

Laura Golbert and Gabriel Kessler

Introduction

Poverty has been a persistent problem throughout the history of most Latin American countries (LACs). The typical problems of developing regions – their economic dependence, their position in international trade as producers of primary products, the behaviour of their dominant classes, the existence of “enclave economies” in many countries, the predominance of large landed estates, and the intensity of the distributional struggle among different groups – explain the widespread presence of poverty, especially in rural areas. However, this general pattern does not apply to every country. For example, Argentina and Uruguay, which experienced the processes of industrialization and urbanization prior to other countries in the region, have performed better in terms of income distribution and access to social services.

By the end of the Second World War, Latin America was one of the fastest-growing areas of the developing world. Between 1950 and 1980, the average annual formal employment growth in urban areas reached levels comparable to those of the industrialized countries. However, this growth was not enough to absorb the marked increase in the urban labour supply caused by high urban demographic growth, rural–urban migration, and the increase in labour force participation. Furthermore, by the mid 1970s, the import-substitution model adopted by most LACs began to show signs of decay.

At the beginning of the 1980s, Latin America underwent a series of shocks as a result of the crisis in the developed world.
These countries’ economic recession caused not only a decrease in capital flows into Latin America, but also a massive transfer of resources from this region to the rest of the world as countries settled external debts. The deterioration of the terms of trade and the governments’ difficulties in revenue collection further aggravated the financial situation of the Latin American economies.

In this context, by the mid 1980s, most countries decided to apply adjustment policies to reduce expenditures and balance public finances. This strategy resulted in the rapid decline of growth rates, with consequent impacts on salaries and employment. The presence of high inflation further affected the decline in real wages. The loss of family income, the increase in unemployment, and the expansion of the informal sector were not counterbalanced by compensatory social policies owing to the significant reductions in social spending imposed by fiscal adjustment.

By the end of the decade, urban poverty was extensive and had intensified to unprecedented levels in most of the region. Inequality in income distribution was exacerbated. For these reasons, the 1980s were called the “lost decade”.

The poverty debate in Latin America

In the 1960s, Latin America had a remarkable role in the development of theories, that in a direct or indirect manner, tried to explain the poverty phenomenon. Some examples are the studies by Raul Prebisch of the Economic Commission for Latin America and the Caribbean (ECLAC), the theory of dependence (Cardoso and Faletto 1970), the theory of modernization (Germani 1973) and theories on marginality (Nun 1969; Quijano 1977).

Paradoxically, thirty years later, in a context of even more drastic circumstances as regards poverty and social exclusion, no similar intellectual response has taken place. The debate has been oriented basically towards poverty measurement or assistance strategies for the poor. Some of the causes of the paradox are the crisis in the world paradigm, local academic deficiencies, and the need for immediate concrete action in view of the declining socioeconomic conditions. The predominant neoliberal ideology favouring safety-nets for poverty alleviation has further hindered new theoretical developments.

However, this apparent absence of theoretical frameworks does not, in any way, imply a lack of research. In fact, the seriousness of the situation and the need for the implementation of policies to reduce poverty have led to important studies aimed basically at poverty diagnosis and measurement.

In fact, the consequences of the crisis of the 1980s in terms of the magnitude and type of poverty are recognized by academics and experts on the subject. The differences arise when poverty concepts, explanatory hypotheses, and the soundness of the theoretical frameworks are discussed.

While both international agencies and local researchers have been important participants in this debate, the former have been more successful at setting the agenda for debate. In fact, international organizations in Latin America such as the World Bank (WB), the International Labour Organization (ILO), the Economic Commission for Latin America and the Caribbean (ECLAC), and the United Nations’ Development Programme (UNDP) have had and continue to have a preponderant role in poverty studies. The guidelines elaborated by these agencies are the ones that dominate the poverty research field for the following reasons: (a) these are the only organizations that systematically produce comparative research on the magnitude and extent of poverty; (b) prestigious professionals provide academic legitimacy to the studies; (c) the mass media consider these sources more reliable than national ones; (d) these organizations not only provide information, they also, in some cases, finance public policies.

These organizations address the issue of poverty in different ways. In this chapter, the questions that have occupied a prominent position in the debate of the past decade will be analysed from these different perspectives. It is necessary to remark that there are some ambiguities in the position of each agency owing to the fact that in many cases the consultant researchers produce documents that do not necessarily reflect the views of their organizations.

In addition, studies carried out by relevant local researchers were taken into account. In this case, topics that are not studied by the international agencies are also considered in order to give as complete a picture as possible of the “state of the art” in the region.

The concept of poverty

Currently, the notion of poverty refers to an essentially permanent situation of income insufficiency resulting in basic needs not being satisfied. Although it is known that such a concept is ambiguous, there is little discussion about it. Thus, the word
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“poverty” denotes phenomena of non-uniform meaning (Katzman 1989). This theoretical ambiguity leads to problems when operationalizing concepts to assess the phenomenon’s magnitude.

The World Bank defines poverty only as not having the possibility of reaching a minimum living standard. Its major concern is to try to obtain an operational definition. To render this definition useful, the World Bank considers three questions that need to be answered: How do we measure living standards? What do we mean by a minimum living standard? Once “the poor” have been identified, how do we express the degree of poverty using only one index or measurement?

The UNDP elaborated a concept of poverty linked to “basic human needs”: “Poverty is defined as a situation which prevents the individual or the family from satisfying one or more basic needs and from fully participating in social life” (UNDP 1990: 33). Even though it considers poverty to be essentially an economic phenomenon, it also takes account of its social, political, and cultural dimensions. “The poor find themselves compelled to choose some necessities, sacrificing others that are also basic. This is why poverty is a state of need in which there is no freedom” (ibid.: 33).

The ECLAC researches are based on pioneer studies by Oscar Altimir (1979) carried out at the end of the 1970s. Some years later, Altimir (1993) acknowledged the difficulties of elaborating a poverty theory. He considered poverty to be a “situational syndrome in which the following are combined: underconsumption, malnutrition, precarious housing conditions, low educational levels, poor sanitary conditions, either unstable participation in the production system or restriction to its more primitive strata, attitudes of discouragement and anomie, little participation in the mechanisms of social integration and possible adherence to a particular set of values different to some extent from the rest of society’s” (1993: 2).

Ruben Katzman (1989), a well-known regional researcher, made an interesting contribution when he emphasized the necessity of determining the temporal extension of poverty, an important distinction when designing public policies. “If the extension over time is not defined, it can involve situations varying from a circumstantial economic recession up to chronic poverty” (1989: 99).

Numerous studies have had the objective of determining the size of the sectors below the “poverty line”. In some cases this approach has been framed in a general income distribution context (Beccaria 1993; Bergsman 1980; Camargo and Gambiagi 1991; Filgueira 1994; León 1994; Lopes 1990; Rocha 1992).

Poverty and the adjustment policies

During the 1980s, the decline of the accumulation model and the devastating effects of the external debt crisis on the socioeconomic system became evident. Thus, most Latin American governments saw the need to reduce public expenditure in order to balance their budgets. Therefore, the poverty debate in the 1980s was framed within the context of (and sometimes displaced by) the discussion on “what to do” with the state and the economy.

There is no consensus between the different international agencies about the consequences of the adjustment policies applied by most Latin American governments during the 1980s. The World Bank (1993) considers that poverty has been a chronic problem in Latin America, and that without adjustments the condition of the poor would undoubtedly have become worse than it did.

The UNDP recognizes the negative effects of the adjustment programmes. However, it believes that without these programmes the situation of the poor today would be worse. The historically unbalanced condition of the regional economies would have had even more unfavourable consequences. Considering the adjustment programmes as emergency programmes, the UNDP believes that it is necessary to create other policies to attack the structural obstacles to development of Latin American societies.

The ILO/PREALC (Regional Employment Programmes for Latin America and the Caribbean) (ILO 1988) criticizes the adjustment strategy, suggesting that it would have been possible to apply alternative economic measures at lower social cost. According to the ILO, the debt was not distributed equally in society. The costs of adjustment fell disproportionately on social groups with low purchasing power, thereby increasing the countries’ “social debt”.

ECLAC (ECLAC 1992) similarly states that the adjustment programmes have led to a more uneven distribution of income and a higher incidence of poverty in most Latin American societies. The rare exceptions are the result of a deliberate and persistent effort in favour of equity in the design and practice of economic policies.
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Outside the realm of international agencies, specialists in these topics agree that adjustment policies have increased poverty and have exacerbated the unequal income distribution. (Beccaria and Orsatti 1989; Lustig 1989; Melgar 1989).

Poverty and the labour market

According to Faria: “From the late ’50s until the early ’70s, as the population grew at very high rates, urbanization rates skyrocketed, and deep changes occurred in rural and urban productive structures – Latin American scholars turned their attention to the capacity of the modern urban industrial activities to provide adequate employment to the increasing urban labor-force. A large amount of work revolved around the concept of ‘urban marginality’” (Faria 1994: 7).

One of the characteristics that has marked the development of the region is the high incidence of informal labour. The crisis of the 1980s intensified informal relations even more and increased underemployment and open unemployment, together with a fall in real wages. Today, there is widespread agreement among the different agencies (supported by evidence gathered from a variety of sources) on the association between these factors and the growth and intensification of urban poverty.

ECLAC, apart from describing the effects of the economic crisis on the labour market, suggests that, paradoxically, informality has had a positive effect on employment. It argues that, although open unemployment increased, the transfer of labour between sectors has somewhat mitigated its impact. In most countries, employment in manufacturing and the public sector declined, and a percentage of the unemployed moved to less productive areas of the service sector.

Faria adds in this regard:

during the 1980s, under the intellectual influence of the PREALC, the attention was placed again on the employment generation problem resulting, first, from the economic crisis, then, from the adjustment policies implemented to face the crisis and, finally, from the regional economic restructuring resulting from the new patterns of dynamic integration into the world economy. One of the main contributions of these studies has been the indication of the growing vulnerability of several segments of the labor market (even some modern urban-industrial segments), the increasing precariousness of work, and the progressive dualization of urban labor markets. Another contribution has been the awareness of the need of improving labor-force’s skills and qualifications as an essential step to overcome the crisis. Last but not least, this literature strongly supports the idea that, in the next two decades, the generation of productive jobs will continue to be one of the crucial issues regarding poverty and exclusion in the region. (1994: 7; see also ECLAC 1991a; Galin and Novick 1990; Monza 1993; ILO/PREALC 1988, 1992; Rodgers 1989; Souza 1980).

Poverty and social policies

As mentioned earlier, there is agreement regarding the connection between poverty and employment. However, implementing a strategy for creating employment requires certain economic, social, and political conditions that are difficult to establish in the short term. So, in addition to confronting the problem of unemployment, it is necessary to implement programmes designed to mitigate poverty. This matter is perhaps one of the most controversial in the poverty debate. There are three main points to this debate.

Economic policies plus social policies versus integrated public policies

According to the World Bank, poverty is a product of distortions or unbalanced conditions that would be alleviated by sustained economic growth. It is in this context that it considers poverty to be a problem that may be ameliorated with the application of palliative policies targeted at the poorest groups. Social policies must be destined fundamentally to improve the pernicious and undesired effects of economic policy.

ECLAC, on the other hand, questions the “capsulization” of social policy, that is, its separation from economic policy. As far as ECLAC is concerned, this problem is worsened by the internal segmentation of social policies in problematic sectors. The Commission believes that it is necessary to elaborate an integrated view that would transcend partial approaches. Emphasis must be placed on “the effort to achieve an integrated approach to social policy – together with economic policy – molded in an institutional reform of the State which would increase its capacity for unified action” (ECLAC 1990: 22).

According to the UNDP, social and economic policy constitute a whole, as is expressed in its Social Reform proposal (UNDP 1993). This reform is conceived as a process that contributes to human development through the integration of policies and instruments aimed at incorporating all members of society in an efficient way. The Social Reform proposal argues that the
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According to the UNDP, social and economic policy constitute a whole, as is expressed in its Social Reform proposal (UNDP 1993). This reform is conceived as a process that contributes to human development through the integration of policies and instruments aimed at incorporating all members of society in an efficient way. The Social Reform proposal argues that the
entire population's access to economic opportunities is an essential component of economic reform.

Targeted policies versus universal policies

Various organizations have elaborated views on how to conduct the struggle against poverty. The World Bank is the most important and principal defender of targeted policies. Its primary concern is extreme poverty and it considers social spending targeted at the most needy as the most rational and efficient allocation of social spending.

The UNDP criticizes this view, which emphasizes policies geared toward the needs of the victims of structural adjustment, and argues instead for the integration of excluded sectors. It believes that policies should serve not only to provide an adequate supply of goods and services to satisfy basic human needs, but also to generate a more equal distribution of the surplus and the progressive incorporation of excluded sectors.

The ILO/PREALC has measured the poverty gap and calculated the social debt that Latin American societies owe to the less protected sectors. Its institutional profile is based on employment policies rather than on classical policies.

Academic studies (in the fields of political philosophy, political science, sociology, and related fields) are concerned with absolute poverty as well as with relative poverty.

State versus non-governmental organization action

During the past decade the redefinition of the state's role and the roles of non-governmental organizations (NGOs) in social policies has been debated. NGOs have taken a more active role as a result of state reforms (for example privatization) and reduced public expenditures. The main issues in the debate are the proper roles of each actor, the scope of intervention, the levels of efficiency, and the administration of funds. In general, it is not an issue of NGOs versus the state, but rather how the two might complement one another.

Poverty measurement

When referring to poverty measurement in Latin America, two aspects of the discussion will be taken into account: (a) methods of measurement, and (b) a focus on relative or absolute poverty.

Certain general characteristics are shared by most of the poverty assessments in the region. The first concerns the unit of analysis. The usual unit of analysis is the household. Therefore, what is identified as "poor" or "not poor" is the household and not each of its members. This brings about a series of problems in the measurement of intra-familial differences. Second, all the comparative studies use the same data sources: the periodic surveys of household income produced by national statistics and census offices, institutes, or departments. In many studies, these databases are used to elaborate specific statistical calculations. Third, a great number of the studies warn that the data are not absolutely reliable. This leads to a fundamental problem in the measurement of poverty in the region, which can be solved only once the national governments improve methods of statistical measurement.

In the 1980s, the most studied group was the urban poor. The development of these studies was related to the growth in urban poverty, the availability of data - in comparison with data on rural poverty - and the development of measurement standards and data-collection methods for this population. The severity of the 1980s' crisis inspired numerous studies on poor households (Altimir 1982; ECILAC 1985; Filgueira 1994; León 1994; Lopes 1994; Minujin 1992; Rocha 1992). Thanks to UNICEF's efforts in the region, poverty among children received greater attention (Albanez et al. 1989; Anaya et al. 1984; Galofre 1981).

As regards the methodological approach, in Latin America there is widespread use of the internationally accepted methods: the measurement of "unsatisfied basic needs" (UBN) and the poverty line (PL). At the national level as well as in regional comparisons, both of these methods have advantages and disadvantages. Nevertheless, some international agencies have developed their own indicators while using the same national databases used by other organizations.

As is widely known, the "poverty line" presupposes the specification of a basket of basic needs and services, which must relate to the cultural consumption standards of a society in a particular historical period. This basket is valued by calculating its total cost. This monetary value is "the poverty line". By using this criterion, those households or persons whose incomes are below the poverty line would be identified as poor.

The UBN measurement refers to material evidence of the lack of access to certain type of services such as: housing, drinking water, electricity, education, and health, among others. This method requires the definition of minimum standards that would indicate unsatisfied and satisfied needs considered "basic" at a
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The UBN measurement refers to material evidence of the lack of access to certain type of services such as: housing, drinking water, electricity, education, and health, among others. This method requires the definition of minimum standards that would indicate unsatisfied and satisfied needs considered “basic” at a
particular moment of a society's development. Consequently, those households that cannot satisfy some of the needs defined as basic would be identified as "poor".

A great deal of the literature assumes that the two poverty assessment methods, the PL and the UBN, would theoretically evaluate similar situations. However, several studies carried out in Latin America during the 1980s and 1990s (Beccaria and Minujín 1991; Desai 1989; Katzman 1989; Minujin 1991) using the data obtained by household surveys, revealed important differences in poverty measurement depending on the method used. Researchers consider that the results of these two methods reflect two different phenomena:

"the UBN criterion would be detecting structural poverty -- owners of a dwelling house or persons with low educational levels, or others -- whereas the PL criterion would detect the pauperized households since it characterizes poverty according to the household income" (Cortés and Minujín 1988: 12).

It is widely accepted that both methods have limitations, some of which are intrinsic and some of which are particular to the quantitative methodology. Some of the main problems of the UBN method relate to defining the basic wants, their minimum thresholds, the relative importance of each of them, and the operationalization of the variables. In fact, the number of variables is limited and the operationalization of the variables is simplified. In terms of comparative studies, the main problem is that the variables used and the way they are evaluated vary from country to country. As a matter of fact, whereas in some countries, like Argentina, most indicators refer to housing conditions, in others they are related to education or health.

When choosing the variables to define poverty in each country, a theoretical definition is usually combined with an appraisal of the most salient local manifestations of poverty. Consequently, because different variables are used, the definition of poverty in each country depends on what is locally considered to be a basic need. Actually, if we applied the UBN indicators from one country to another, the population in poverty would vary. The absence of regional criteria hampers the establishment of homogeneous criteria; and therefore hampers accurate comparisons.

The problem with the PL method concerns the various alternative definitions of the poverty line and its application to households, as well as the estimation of income. The differences in the PL estimates in the Latin American case arise from variations in methodological approach, such as: (a) how to impute non-

responses, (b) the measurement of goods and services consumed by the household but not acquired in the market, (c) how to adjust for understatement, (d) how to impute rent, and (e) how to measure the value of income according to the age of the household members.

Nowadays, there is general consensus in the region about the problems posed by each of the methods. Consequently, the choice of one or the other is related to the theoretical perspective, the availability of data, and the objectives of each research project. In general, in previous decades there has been a greater tendency towards the UBN method. The most important factors in its choice were that (a) it was a suitable method for measuring structural poverty, which has historically been the prevailing type of poverty in the region, (b) the information needed could be obtained from census data, whereas the income data needed for PL measurements could not be obtained in this way.

Nonetheless, in the 1980s, research based on the PL criterion flourished. This was due to the many problems posed by the UBN method, such as how to treat households whose situation was acceptable regarding some needs but not others. The PL approach seemed more attractive, because it provided a reasonable way to average the importance of different needs. But apart from these methodological problems, the growing interest in the PL method seemed to be greatly enhanced by the increase in poverty. This implied that new population groups had recently experienced declining social mobility, which could be better detected by the PL method.

Theoretical frameworks and the causes of poverty

When comparing the studies carried out in the region during the past two decades with those undertaken in the 1950s and 1960s, the latter exhibit clear cohesion within diverse theoretical frameworks, whereas the most recent studies appear more empirical and lacking theoretical analysis. In fact, in the earlier studies, we find a broad range of theoretical frameworks such as the reproduction of poverty and intergenerational transmission of poverty, offshoots of the culture of poverty perspective or the family survival strategies, studies based on Marxist perspectives of different kinds, and others based on the dependency theory and the centre–periphery theory, among others.

The crisis in modern social theory has had an impact on poverty studies. In fact, many studies admit that such a complex,
particular moment of a society’s development. Consequently, those households that cannot satisfy some of the needs defined as basic would be identified as “poor”.

A great deal of the literature assumes that the two poverty assessment methods, the PL and the UBN, would theoretically evaluate similar situations. However, several studies carried out in Latin America during the 1980s and 1990s (Beccaria and Minujin 1991; Desai 1989; Katzman 1989; Minujin 1991) using the data obtained by household surveys, revealed important differences in poverty measurement depending on the method used. Researchers consider that the results of these two methods reflect two different phenomena:

“the UBN criterion would be detecting structural poverty—owners of a decent house or persons with low educational levels, or others—whereas the PL criterion would detect the pauperized households since it characterizes poverty according to the household income”
(Cortés and Minujin 1988: 12).

It is widely accepted that both methods have limitations, some of which are intrinsic and some of which are particular to the quantitative methodology. Some of the main problems of the UBN method relate to defining the basic wants, their minimum thresholds, the relative importance of each of them, and the operationalization of the variables. In fact, the number of variables is limited and the operationalization of the variables is simplified. In terms of comparative studies, the main problem is that the variables used and the way they are evaluated vary from country to country. As a matter of fact, whereas in some countries, like Argentina, most indicators refer to housing conditions, in others they are related to education or health.

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The crisis in modern social theory has had an impact on poverty studies. In fact, many studies admit that such a complex,
multidimensional problem as poverty cannot be understood through only one theory. However, it would not be fair to criticize the studies of the 1980s for being theoretically weak. Although strict adherence to theoretical frameworks is not explicitly stated, the paradigms persist.

Taking a general look at the studies of the 1960s and 1970s, one can perceive signs of the core concepts in vogue at the time. Thus, as a hypothesis, we could make several assertions about more recent studies.

First, signs of the dependency theory and – to a lesser extent – the centre–periphery theory are present in studies that associate the increase in poverty in the past decade with: (a) the characteristics of the external debt in the 1980s – the creditors being large transnational banks; (b) the deterioration of the public sector; and (c) the processes of economic concentration. In other words, the structuralist view is still used to explain the historic genesis of regional poverty and its recent increase.

Second, these explanatory hypotheses are linked with those from other theoretical frameworks when policies are proposed to mitigate poverty. In fact, at the end of the 1980s and the beginning of the 1990s, the “safety-net” emerged as the predominant policy measure aimed at alleviating the immediate needs of the poorest sectors. It is noteworthy that diverse researchers and organizations have converged from different perspectives to reach broad consensus on the types of measures needed to mitigate poverty (Bustelo and Isani 1992; Castañeda 1990; Fariá 1994; Gonzalez de la Rocha and Latapi 1991; Graham 1992; Navarro 1994; Raczyński 1993). Nonetheless, the disagreements reappear over the question “Is this enough?” or “Is it necessary to go beyond safety-nets?”

Organizations such as the World Bank and several of the region’s governments advocate safety-nets as the main poverty-alleviating measure. Other organizations and researchers with a different theoretical reference point consider social protection networks to be necessary but insufficient. They contribute to alleviating the situation of the poor, but are in no way efficient tools to eradicate poverty. However, apart from this concept and other general ideas, the 1990s are characterized by an intellectual void regarding the struggle against poverty from a broader economic and social perspective.

Third, policy makers’ tendency to work with existing safety-nets reflects the influence of the culture of poverty and the family survival strategies. Although the belief in the presence of an autonomous culture of the poor has been basically discarded, there is a continuing interest in grass-roots networks as strategic actors in the implementation of social programmes. Moreover, the influence of the family survival strategies perspective is reflected in the interest in households both as units of the social reproduction of poor sectors, and as a fundamental setting for microeconomic decision-making.

In addition to these general tendencies, we would like to mention some of the views considered of interest in current regional poverty studies.

The historical causes of poverty are analysed from the political economy perspective in terms of inequitable patterns of development and distribution originating within the domestic economy. This phenomenon emerged at the turn of the century.

Reference is made to political economy rather than to the economy itself. The idea of models of inequitable development and distribution implies the existence of socio-political actors as protagonists of the establishment of such models.

Two paradoxical situations are worth mentioning with regard to poverty studies carried out in the region during the 1980s. The first relates to the current neo-liberal policies dominating the region’s governments. This neo-liberalism is extremely pragmatic and tries to base its legitimacy on the idea that the main role of government is to maintain financial equilibrium and stability. This, in fact, has implied a reduction in public expenditures with consequent negative impacts on the poor. It is important to point out that this neo-liberal pragmatism is in many cases widely accepted owing to the underlying recent hyperinflation experience.

Another common characteristic of the research on poverty in the 1980s is the absence of behaviourist views that “blame” the poor for their own situation. In fact, with regard to ethnic factors, even if there is a direct relationship between poverty and indigenous groups and between poverty and Afro-Latin Americans (Brazil), theories establishing causal links between these variables do not exist.

The second significant paradox is that, even though there is general agreement that structural economic factors are the cause of poverty, when it comes to proposing measures to attack poverty the tendency is to seek lines of action such as health issues, education, income-generating projects, etc. that are not targeted at the real causes of the problem.

Certainly, if an international organization centred its work on the causes of poverty it would become involved in domestic political issues, thus exceeding its prescribed role. Nevertheless, it is important to differentiate between: (a) poverty and income distribution inequality; (b) actions to mitigate the situation of the
multidimensional problem as poverty cannot be understood through only one theory. However, it would not be fair to criticize the studies of the 1980s for being theoretically weak. Although strict adherence to theoretical frameworks is not explicitly stated, the paradigms persist.

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poor; and (c) actions to combat the structural causes of poverty. It is evident that poverty appears as a by-product of income distribution. However, because it is difficult to modify income distribution, poverty is addressed from its social side. Even if many organizations recognize the need to modify patterns of income distribution, this position is not reflected in policy measures. The implication is that it is possible to eliminate poverty while maintaining the distributive model that causes poverty in the first place.

Many agencies disagree about the degree of emphasis that should be placed upon the individual or structural factors in explaining the causes of poverty. This dichotomy appears implicitly in public policy proposals. The World Bank places the most emphasis on the individualistic view. This is evidenced in the importance accorded to educating the poor as a means of increasing their opportunities for entering the labour market. This is the classic liberal image, which considers general welfare to be an aggregate of the opportunities and benefits given to the individual.

The other agencies emphasize structural factors. UNDP, ILO/PREALC, and ECLAC stress the fact that economic growth alone is not sufficient to reduce poverty, and that the implementation of redistributive policies is required to benefit the poor. They agree that the market’s role in allocating resources is not sufficient for satisfying the basic needs of the poorest sectors.

The ILO/PREALC states that one of the main causes of poverty and inequality is insufficient and unequal access to employment. It therefore emphasizes the creation of more productive and remunerative jobs. It affirms that this has to be part of a redistributive strategy aimed at completely satisfying basic needs.

Future trends and prospects

Poverty research in Latin America has been oriented mainly to the assessment of public policies. The methods utilized for poverty measurement are the poverty line (PL) and “unsatisfied basic needs” (UBN). International agencies are making special efforts to homogenize data in order to compare the magnitudes and types of poverty. In fact, significant information on the issue is already available. Data comparison has been possible owing to the systematic application of household and consumption surveys.

Furthermore, in the past decade, the debate on state intervention strategies has been intensified as a result of the increase in poverty. As mentioned earlier, a key issue in the debate has been the efficacy and efficiency of targeted policies versus universal coverage policies.

Because current research is clearly oriented towards the quantitative assessment of poverty it does not reflect the heterogeneity of the phenomenon in the region. Furthermore, the utilization of quantitative methods produces homogeneous data. Besides, assessment methods such as PL and UBN measure the situation only at a given moment—they do not reflect the process of pauperization being suffered by most Latin American societies. Neither of these methods is able to assess the growing vulnerability and exclusion affecting the poorest groups of society.

Taking into consideration the efforts undertaken to assess poverty in the region, we believe that now research on other dimensions should be promoted in order to obtain a wider perspective on the phenomenon. Diverse poverty situations should be considered in terms of their temporal dimension and their social dimensions (vulnerability, exclusion). The link between poverty and other economic, social, and political variables should also be analysed. These studies would require an articulation between the quantitative and qualitative approaches. This kind of approach would enhance the comparative perspective and could lead to innovation in the development of public policies. There are, however, some obstacles to future comparative research:

- Insufficient funding sources. It is becoming increasingly difficult to obtain funding for local research, particularly for comparative studies.
- Insufficient academic interchange. There is a lack of interchange between the countries in the region in terms of joint research plans among universities or national research bodies.
- The need to review national assessment tools. Rigorous comparative studies require reliable national data, which will be attainable only through the joint efforts of researchers, public and private agencies, and national governments.
- Weakened academic research support. This hampers the identification of funding sources and discussions centred on poverty assessment or the implementation of social policies. In addition, because of the nature of the poverty problem, emphasis is placed on action-oriented projects rather than academic research on the issue.
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Chapter 23
Brazíl: Poverty Under Inflation
Sonia Rocha

Introduction

The 1980s in Brazil clearly represented a break from the relatively successful path the country had followed since the 1930s, but especially after the Second World War, to attain the status of a developed country. From 1968 to 1980, per capita GNP grew at an average yearly rate of 6.25 per cent, as a result of a fast rate of investment and modernization. Although the benefits of income growth were unevenly distributed, people were better off at all income levels, which guaranteed social peace. The general awareness in the academic milieu that issues concerning social inequality and poverty were not automatically solved through economic growth (Adelman 1975) did not affect the conduct of economic policy in Brazil. It was taken for granted that growing inequality was a necessary result of productive bottlenecks, especially the scarcity of qualified manpower, and that trickle down effects would soon begin to operate. As a consequence, economic policy was tacitly geared to the attainment of high growth rates as an objective in itself.

High liquidity in international financial markets fuelled domestic investment in the 1970s. As a result, Brazil entered the 1980s as highly dependent on flows of foreign capital and was badly hit by the money shortages and rise in interest rates at the beginning of the decade. The debt crisis and the process of adjustment that followed led to successive short-term economic cycles all through the decade, which resulted in a decline in investment and terrible results in terms of income growth: from 1980 to 1994 GDP grew at a dismal 1.07 per cent annual average. Per capita results were even more adverse, with per capita GDP recording a reduction in the same period. That the outcome was not worse was the result of a big fall in the rate of population growth.