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Note: The Spanish edition of CEPAL Review No. 13 contained, in addition to the above articles, an article by Mr. Sidney Dell. This was of a preliminary character, however, and it is planned to publish an abridged new version of it in English in the near future.

Poverty in Latin America

A review of concepts and data

*Oscar Altimir**

The eradication of poverty has always been one of the main objectives of social reformers, and sometimes this moral concern has made it also the object of empirical investigation by social scientists. This convergence has again occurred in recent years, and has resulted in a flourishing literature both within and outside Latin America. In the first part of his article, the author reviews the most important elements of that literature, laying special emphasis on the writings of the advocates of 'another development', 'redistribution with growth' and 'the satisfaction of basic needs'.

On this basis, he defines the concepts of absolute and relative poverty, justifies his analysis and, following a detailed review of the existing evidence, presents an estimate of the present levels of both types of poverty and recent changes in them in some Latin American countries. The data which he takes into consideration refer primarily to income distribution and consumption, but his approach is rounded by consideration of data on access to public services and on underemployment.

This examination of the evidence leads the author to a number of important conclusions, chief among which are those shedding light on some moot aspects of the distributive consequences of the prevailing style of development. On the one hand in most of the countries examined there has been an improvement in the absolute levels of consumption of the poor strata, at least during the periods under consideration, when the economic growth rate was also considerable. On the other, as a rule the rise in per capita income did not reduce the relative inequality between strata but rather led to the social stratification being reproduced on a dynamic basis. In these circumstances, while the eradication of absolute poverty may be looked for in some of the countries studied, in all of them relative poverty remains, and tends to be the breeding ground of serious conflicts.

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I

Poverty, growth and basic needs in different value systems

Any feasible estimation of the magnitude of poverty must recognize a set of conceptual and methodological limitations.

As the concept of poverty does not exactly fit into any significant body of theory it must be admitted to be an essentially normative concept. The norms on what are basic needs and what are suitable levels of satisfaction, whereby the distinction may be drawn between those considered poor and those who are not viewed as being in this situation in a given society at a specific time, are intimately linked with a value system to which the policies chosen for combating poverty and the judgements concerning their viability also belong. In the final analysis, these value systems rest upon a moral and political judgement regarding the existing social order and the way in which society should be organized. There is no definition of poverty that is neutral in this respect.

Conservative value systems tend to establish poverty norms which are sufficiently low to minimize pressure on total resources and on the social change needed to eliminate poverty. In this way they profit from the present lack of theoretical precision of the concept of poverty to keep it as a statistical aggregate which is viewed as the result of the accumulation of the effects of (avowedly stubborn) imperfections in the functioning of a socio-economic system and style of development which are regarded as basically satisfactory or at least the best available for the time being. From this standpoint, what is normatively undesirable is not general inequality in the enjoyment of social goods but rather its more extreme consequences in terms of material deprivation, and consequently it is only the latter which must be tackled through specific policies.

At the other extreme, the contemporary renovative utopias advocating 'another development' (Hammarskjöld Report, 1975; Fundación Bariloche, 1976; Nerfin (ed.), 1977) are based on an egalitarian and participatory value

system which sets the satisfaction of human needs, both material and psychological and political, at the centre of the development process and views the satisfaction of basic needs as a particularly pressing need. It considers that the way in which world-wide industrial civilization currently functions exploits both mankind and nature and that the deprivation from which much of the world's population suffers from the standpoint of basic needs is inextricably bound up with the specific orientation of technical development, the power structure and the resulting distribution of resources which are inherent in this form of industrial civilization and the life style it projects. It calls into question the very ability of industrial civilization on its present course—even beyond the social and economic system, in some formulations—to overcome its own crises by respecting ecological limits, to eliminate poverty and to ensure the full development of human beings. Consequently, it advocates the reorientation of development towards human needs, with the concomitant reorganization of values, social relationships and individual behaviour and attitudes, accepting all necessary changes in the ownership or control of the means of production, in the production, trade or finance structure, in the structure and exercise of power and in the international economic order (Hammarskjöld Report, 1975).

The concept of poverty, in this context, corresponds to non-satisfaction of a set of inter-related basic needs which prevents people from proceeding along the path towards full development and constitutes one of the dimensions of the alienation that thwarts their full development in the present form of industrial civilization. Aside from other considerations, this approach might succeed in incorporating the concept of poverty into a theory of needs, the formulation of which is yet in its first faltering stages.¹ The normative rejection of the existing order, however, does not make it any less urgent, for some proponents of 'another development', to set the 'logic of needs' at the centre of the development process, at least at

the technical level; they therefore recommend that the growth of the product should be supplemented by other indicators which take into account progress in the various components of the standard of living and, particularly, poverty lines which make it possible to identify the poorest groups and their characteristics and needs, calculated on the basis of a normative minimum standard of living. Nor should it hinder the immediate implementation of programmes to bring such groups above the poverty line (Hammarskjöld Report, 1975).

This reasoning also underlies a number of important recent proposals (ILO, 1972; Chenery *et al.*, 1974; RIO, 1976; ILO, 1976) which coincide in placing the satisfaction of basic needs at the heart of development objectives and in arguing the need to combine redistribution with growth in development strategies, although they differ in their value connotations.

In the elaboration of an analytical framework for the design of strategies of redistribution with growth (ILO, 1972; Chenery *et al.*, 1974), an attempt has been made to single out strategy approaches which could serve to improve the situation of the poor in the developing countries, with the identification of four possible components: maximization of growth of the product; reorientation of investment towards poor groups (education, access to credit, infrastructure and so forth); redistribution of income or consumption; and redistribution of wealth. The options in terms of policies and socio-economic change are left open, and the choice and specific combination of the components in the strategy of redistribution with growth depends on the country's socio-economic structure and the priority it attaches to the war on poverty (Jolly, 1976). It has been argued that a strategy of redistribution with growth, in this framework, is not necessarily 'incrementalist' or evolutionary; that the elements taken into consideration are to be found, up to a point, in both reformist and radical approaches, and in both capitalist and socialist situations, as they form—at a high level of aggregation—the field of essential economic alternatives (Jolly, 1976). The difference, at this level of abstraction, is said to lie in the extent and relative importance with which

¹See, for example, the discussions on research into human needs in UNESCO (1976), Mallman (1977) and CLAEH (1979).

each of the four essential elements is adopted and implemented. In any event, it is recognized that there is little likelihood of implementing comprehensive redistribution policies based on all the elements considered, and that this depends on the emergence of a coalition of dominant interests which perceives the advantages of such a strategy more forcefully than the resistance generated by the losses accruing to some members of the coalition (Bell, 1974).

The value context for the redistribution with growth approach nevertheless remains the utilitarian one of economic theory, while the strategy proposals focussed on basic needs (ILO, 1976; RIO, 1976; Streeten and Burki, 1978) are based, explicitly or implicitly, on the overriding right of every human being to a modicum of social goods. Some of these formulations resemble the postulates of 'another development', agreeing that the final purpose of development should be not merely to eradicate physical poverty but also to provide all people with the opportunity for their full development (Streeten and Burki, 1978). But most of the proponents of the basic needs approach agree at least on some essential points: first, that basic needs should be the central objective of the development strategy; second, that while growth is not in question and is viewed as a requisite for attaining the foregoing objective, on the other hand the content of growth is questioned; third, that the objective of satisfying basic needs is particularly pressing for the poorest nations; fourth, that that objective is paramount but not exclusive, and fifth, that political decisions and institutional reforms are essential for the implementation of such a strategy (Ul Haq, 1977). This minimum formulation of the basic needs strategies also seeks to leave open the possible options in terms of policies and institutional changes. Thus, it would allow for a variety of value systems with respect to the prevailing socio-economic order, but it cannot avoid the thought that if development is really to be re-oriented towards basic needs, substantial changes must take place in that order, and most of the advocates of this approach show a tacit confidence that acceptance of the basic needs objective will help to induce such changes.

In its successive approaches to the reorientation of Latin American development CEPAL anticipated by several years the recognition—now increasingly widespread in international circles—that the trickle-down effects of growth do not suffice to ensure a significant decline in poverty within a morally acceptable timespan. Particularly from the 1960s onwards, attention began to be drawn to the need to include the imperative of improving the situation of low income groups as an explicit, primordial objective in any development strategy. Prebisch (1963) interpreted the slow growth in per capita income and the low living standards of half the population of the region as representing the insufficient dynamism of Latin American development. His appraisal was not merely normative; he saw in the regressive distribution of income and the ensuing social structure a serious hindrance to the technical progress and capital accumulation needed to step up growth and at the same time implement a redistributive policy with regard to consumption.

Pinto (1965) stressed the concentrative and exclusive nature of the Latin American style of development, as a result of the concentration of technical progress in the modern sector with a limited capacity to absorb manpower and the insufficient spillover towards the more backward activities. Ending this contrast between growth and poverty appeared to be a moral and political imperative; the only obstacle to be seen in the functioning of economies in such a style was the possible weakening of the growth stimuli at work in the past. Consequently, the strategy he prescribed consisted in the creation of a trend towards the gradual remedying of the 'harmful' effects which perpetuate poverty, by means of prices and incomes policies, fiscal redistribution and a public investment policy favouring the spread of technical progress towards the more backward sectors. In a more recent work, Pinto and Di Filippo (1979) placed greater emphasis on the fact that the concentration of technical progress, income inequalities and the composition of consumption and investment characteristic of the Latin American style of development are mutually reinforcing and tend to perpetuate the poverty which is the consequence of this structural background. Although they admit the region's

basic dependence in the incorporation of modern technology, they point out the need to change the orientation of development in terms of the composition of the supply of goods and of the groups having access to them, through the use of the surplus generated in the modern sector.

Prebisch (1976, 1980) sees the causes of poverty in the contradictory functioning of Latin American capitalism. On the one hand, the technical progress taking place through the penetration from the centres of technology which is increasingly capital-intensive and productive provides a significant capital accumulation potential. On the other hand, however, the appropriation of the increments in productivity by the upper strata, the transnational enterprises and the State, aggravated by the distributive struggle, leads to resources being withdrawn from accumulation and an allocation of investment which fails to maximize the creation of jobs with higher levels of productivity. In order to remove these two obstacles and gradually eliminate underemployment, the principal cause of poverty, he proposes changing the forms of appropriation and allocation of the surplus, which constitutes the potential for accumulation.

These proposals by CEPAL economists may be placed within the broader framework of the strategies of redistribution with growth. While they share the concerns of the advocates of 'another development' as regards the imitative aspects of the peripheral style of development, and point out the essential contradiction between those aspects and the objective of eradicating poverty and satisfying basic needs, they assume that the technical alternatives and thus the content and orientation of growth will continue to depend basically on the present style of industrial civilization; they seek to eradicate poverty in the periphery through systems for redistributing resources, ranging from fiscal redistribution and the management of prices of factors and products to reforms in the ownership of the means of production or the appropriation of income. However, they fail to incorporate in an articulated manner the proposals in favour of 'another development' based on a substantial reorientation of the material content of growth, technical development and life styles;² nor is it clear to what extent the redistributive strategies will suffice to prevent development from continuing to orient itself towards producing "more of the same".³

II

Poverty, basic needs and life styles

Being essentially normative, the concepts of poverty and of basic needs are relative; whatever the concrete norms used to define deprivation, they always relate to a specific social context and refer to the scale of values associated with a given life style.

There is, as already recognized by Marx (1887), a historical element in the content of basic needs. A number of studies (Lamale, 1958, and Franklin, 1967) have shown how the scope of the concept in the industrial societies of the West has varied in line with economic development, changes in societal values and the consequent transformation of the functions of the State. Thus, if a revolution of Copernican dimensions were to take place in the values of

the post-industrial society, as advocated by the ideologies of 'another development', setting basic needs at the centre of the development process, the profound changes ensuing in life styles would radically alter the reference context of basic needs and poverty.

In addition, in present societies the feelings of relative deprivation and the be-

²It should be pointed out, however, that some CEPAL sociologists (Wolfe, 1976 and 1977; Graciarena, 1979) have been more closely identified with the ideas of 'another development', although more on the level of values than of strategy.

³Cardoso (1980) presents a lucid examination of the orientations of Latin American thinking on development in a broader ideological framework.

haviour to which they give rise spring from a comparison being made between one's own situation and that of some reference group (Merton, 1957; Runciman, 1966) which is therefore taken as the norm. But even the objective conditions of deprivation, however they are determined, refer to the predominant life style in each society. As Townsend (1974) pointed out, the measurement of poverty through an objective evaluation of needs (although not without value judgments) involves, firstly, a measurement of all the types of resources which determine standards of living; and secondly, a definition of the life style generally shared or approved by the society, whose customs, activities, diet and, in general, patterns of wellbeing the poor households cannot share to any significant degree.

Hence, the definition of poverty must be specific to each society. At the same time, however, in the present world this specificity cannot be interpreted as amounting to independence; the rapid process of acculturation occurring in ever wider areas of the Third World implies that the life style of the industrial society is tending to become dominant, at least in terms of its capacity to generate aspirations and norms, although not so much in terms of its material underpinning. This is reflected in the growing acceptance of the universality of the concept of basic needs (ILO, 1976) and sets the scene for greater tension between the norms or standards of living and the resources available in the developing countries. This is also why it is preferable to formulate norms in relation to the dominant life style at the national level rather than to the 'generally shared' style, a notion which is more applicable to the developed societies. In societies like the Latin American ones, which function with a considerable degree of cultural, political, economic and technological dependence, the dominant life style which orients their development and generates aspirations in almost all social strata is that of the industrial societies, transplanted and adopted by the apex of the local social pyramid. Social inequalities in access to scarce and concentrated resources, however, prevent this life style from being generally shared by the majority of the country's population, whose values and customs have in any event been

affected by the demonstration effect of the style.

Furthermore, it is necessary to recognize that there is an irreducible core of *absolute* deprivation in our idea of poverty which translates reports of starvation, malnutritions and visible hardship into a diagnosis of poverty without having to ascertain first the relative picture. The relative deprivation approach supplements rather than competes with this concern over absolute dispossession (Sen, 1978, p. 11). The absolute norm which we use to define this irreducible core, whatever the national situation which forms its context, stems from our present notion of human dignity and of the universality we confer on basic human rights, the fulfilment of which should not depend on the local scarcity of resources, nor on the resignation culturally built into a society over long centuries of poverty and oppression.

Even these absolute subsistence minima, however, are conditioned by the social and cultural context. Even nutritional needs, for which there is more solid scientific evidence than for other types of need, are to some extent influenced by that context. This is all the more true of the minima for adequate psychological and physical functioning, and *a fortiori* of the minima required for participating in a specific life style. The weight of the social and cultural context increases as one rises in the ranking of needs, even within the sphere of basic needs. Even if poverty in a given society at a specific time is defined in absolute terms, the norms used must refer to the dominant life style.

What then is the difference between the definitions in absolute terms and those in relative terms? Both types express attempts (arbitrary and imperfect, perhaps) to form a synthesis of minimum welfare norms in the form of poverty lines with which to identify situations of deprivation with respect to the dominant life styles. The definitions in absolute terms proceed by enumerating needs, in each case establishing deprivation in terms of that life style; they are absolute with respect to the availability of resources and the prevailing inequalities, but should not disguise the relative context of the concept of poverty,

with respect to the dominant life style. The definitions of poverty which relate it to the average (income, consumption, resources, etc.) in the economy assume that that average represents the economic level which corresponds to the needs of the dominant life style and that the fraction (a half, a third and so forth) of the average chosen as the poverty line corresponds to the critical zone, below which it is impossible to play a meaningful part in that life style; thus poverty is also related to the average availability of resources in the society.⁴ However, the fact remains that the determination of those lines is based, in the last analysis, on an appreciation of acceptable minimum standards of living, in terms of needs—in other words, an ‘absolute’ criterion—or of a norm regarding the acceptable level of inequality.⁵

The two kinds of definitions are complementary inasmuch as they shed light on different dimensions of poverty situations. The definitions in absolute terms address themselves to the non-satisfaction of basic needs, over and above the relative picture. Definitions in relative terms stress inequalities between the base and the remainder of the social pyramid, and in doing so tend towards a potentially fruitful analysis in terms of relative deprivation, thus opening the way for relating poverty to the broader problem of inequality.

The interaction between the two dimensions of poverty in the course of development is particularly important. In societies where most of the population is critically deprived in terms of the satisfaction of their basic needs, the ‘moral scandal’ expressed by these situations, and their undeniable effects which lead to a

vicious circle of poverty and underdevelopment, may make it irrelevant to refer to the relative dimensions of poverty, even though the unfair distributive structure is closely linked with that vicious circle. In situations where the level of economic development attained and the growth rate suggest that even with the prevailing regressive distribution of income the absolute dimension of poverty might be reduced, the relative dimension becomes significant, as it situates poverty more directly in the context of social inequalities, focussing on the gap existing between the life style projected by the pattern of development and the impossibility for the lower strata effectively to share in it.

However the poverty norms are applied, in absolute or relative terms, they cannot be immutable over time. All that has already been said about the relativity of the concept of poverty and the need to refer the definitions to the dominant life style implies that poverty norms must be dynamic. As society becomes richer, the absolute levels of the former norms become obsolete; economic development changes the availability of the different kinds of goods and also the structure of needs; and at the same time life styles change too (Townsend, 1974). In our societies, there is also the influence of the changes taking place in the life styles of the industrial societies.

To put this another way, even poverty lines defined in absolute terms must have some positive income elasticity, over time and in the course of development. An unchanging definition of absolute poverty would mean that the corresponding poverty line must be unaffected by the rise in average real income in the society in question; its income elasticity would be zero. At the other extreme, any definition of poverty in relative terms which directly links the poverty line with the average income of society as a whole implies that the line varies in the same proportion as that average: in this case, the income elasticity of the poverty line would be one.

The definitions of poverty in absolute terms have varied in the course of the development of the industrial societies in line with economic growth and social progress. In suc-

⁴These relative definitions of poverty do not prejudice the size of the problem. Definitions of the type “the x per cent of households with lower incomes”, on the other hand do prejudice the extent of poverty and imply that it will always exist, as they are not based on criteria of relative deprivation which take into account the distance between the bottom section of the pyramid and the average situation. Rather than definitions of poverty, they are an attitude to the problem, which they approach from the standpoint of inequality at the very bottom of the income scale.

⁵This is clear in works such as those of Sawyer (1975), who chooses the fractions of average per capita disposable income to be used as ‘standardized’ relative poverty lines applicable to some developed countries, on the basis of the official poverty lines established in those countries, most of which have been fixed according to absolute criteria.

cessive evaluations of poverty in York, Rowntree⁶ defined the minimum needs of households in 1899, 1936 and 1950, using the same procedure, which has become classic in the tracing of absolute poverty lines, and criteria designed to incorporate the determinants of the context of each period. If the real value of those budgets is compared⁷ and related to the rise in real per capita income in Great Britain during those periods, it may be seen that Rowntree's norms have an income elasticity of 0.5 between 1899 and 1936 and of 0.8 between 1899 and 1950. The poverty lines used by official bodies in the United States at different periods since the war have also risen in real terms, with income elasticities ranging from 0.7 to 1.5, reflecting the change in societal values and official welfare criteria.⁸ Since 1964 however, the United States Government has adopted the criterion of keeping the real value of the official poverty lines constant, bringing

them up to date solely in terms of changes in consumer prices (Department of Commerce, 1977). This practice has been criticized (Ornati, 1966; Thurow, 1969) on the grounds that while it is acceptable for short-term studies and for programmatic purposes, it is not acceptable for monitoring the evolution of poverty over longer periods. In fact, various researchers have observed that the minimum consumption budgets in the United States have risen in real value since the beginning of the century with an elasticity of between 0.5 and 0.8 with respect to the increases in real per capita income.⁹ From another standpoint, an analysis of the income which people considered to be the acceptable minimum through successive opinion surveys in the United States between 1957 and 1971 indicates that the average social norms have risen with an elasticity of about 0.6 with respect to average per capita income (Kilpatrick, 1973).

III

The dimensions of poverty in Latin America

1. *The magnitude of absolute poverty*

The estimates of the magnitude of poverty in Latin America in 1970 presented here represent an attempt to measure the problem of the absolute magnitude of poverty on comparative bases.¹⁰ They are based on cut-offs in the distributions of per capita consumption for the main countries of the region, through poverty lines representing minimum acceptable budgets for private consumption.

These poverty lines reflect a deliberately

normative definition of the absolute dimension of poverty. They express synthetically a judgment as to what are the minimum acceptable levels of satisfaction of a set of basic needs, below which situations of real deprivation exist which are considered not merely morally intolerable but also seriously degrading in human terms.

What are the grounds for this judgment? Firstly, authoritative assessments, and secondly, the real behaviour of low-income households in the face of the constraints and stimuli of the style of development prevailing in the countries of Latin America and the life styles it projects.

The starting point of the method chosen for

⁶Rowntree (1901); Rowntree (1973); Rowntree and Lavers (1951).

⁷See Jackson (1972).

⁸The poverty lines used by the Joint Economic Committee for 1949 and 1962 have an income elasticity of 0.66; those used by the Bureau of Labour Statistics for 1947 and 1959 have an income elasticity of 1.19; a comparison of the real value of those used by the Council of Economic Advisers for 1951 and 1963 gives an income elasticity of 1.5. (The elasticities have been calculated on the basis of the real values of the corresponding poverty lines indicated by Miller (1964)).

⁹The elasticities calculated by Kilpatrick (1973) are: 0.84 for the budgets analysed by Smolensky (1965) covering the period 1903-1959; 0.75 for the annual observations of Ornati (1966) between 1905 and 1960; and 0.57 for the observations analysed by Mack (Miller 1965) between 1929 and 1960.

¹⁰Cf. Altimir (1979).

drawing the poverty lines is food. In establishing nutritional needs, minimum standards exist established by authoritative judgments based on present knowledge, which take into account differences relating to sex, age and some environmental factors (FAO/WHO, 1973). The average minimum needs of nutrients calculated for each country were translated into normative baskets of country-specific minimum-cost foods, taking into account both the real availability of each type of food and the food habits of low-income groups, and choosing those foods which could satisfy each need at the lowest cost per nutrient at existing prices. The minimum-cost baskets were valued at capital-city prices, and the resulting minimum per capita food budgets were adjusted applying estimated price differentials to obtain budgets which were approximately applicable to the entire urban population and to the national population.

To draw poverty lines based on food means normatively assuming some relationship between spending on food and spending on the satisfaction of the basic needs currently covered by private consumption in these societies. For this purpose, an analysis was made of the data available on the proportion of expenditure on food for those household groups whose real spending on food was somewhat above the minimum food budget established, and it was found that the urban household groups thus defined devoted between 40% and 50% of their total consumption expenditure to food. On this basis, poverty lines were drawn for the urban areas in all the countries considered,¹¹ at twice the amount of the minimum food budget. In tracing poverty lines for the rural areas, the limited amount of similar data available on consumption patterns of rural

households led to the decision to consider non-food private consumption as amounting to 75% of the corresponding minimum food budgets.

These norms assume that the households which are above the minimum food expenditure threshold are likewise above the thresholds for other basic needs covered by private consumption. This consumption was tested as far as possible for expenditure on housing and supplementary expenditure required to gain access to free public services. Although it was found that the budgets established could cover the annual payment or rent for adequate minimum housing in accordance with conventional housing standards and on very favourable terms regarding cost and financing, the impression remains that housing penury is more generalized than poverty as defined by a minimum purchasing power, on account of the limited supply of such housing, of accessible urban land and of resources on suitable terms.

In sum, these poverty lines in terms of disposable income for private consumption, based on food needs, combine normative minimum-cost diets—which do not allow for inefficiency in the allocation of expenditure on food as observed in the diet actually consumed by households—with the latter's preferences with regard to food and other expenditures in response to the prevailing life style.

Table 1 gives the poverty lines estimated according to these procedures, at 1970 prices in United States dollars; it also includes 'destitution lines' corresponding to the minimum food budgets, as the households whose total purchasing power is below even that amount very probably suffer from severe nutrient deficits.¹² The minimum food budgets estimated for each country as a whole range from 75 to 130 dollars at 1970 prices per person per year; the corresponding poverty lines stood at between 150 and 250 dollars of 1970 of per capita annual household consumption.¹³

¹¹The uniform application of this norm to all the countries of the region may imply a certain degree of underestimation of poverty in the relatively more developed countries, where the propensity to consume other goods on the part of the corresponding household groups is somewhat higher than the food coefficient. This is one of the specific additional circumstances which should be taken into account in any national evaluation of poverty. However, in our regional evaluation this differentiation could have been introduced only for some countries, and furthermore would not have been in line with the degree of accuracy achieved in other aspects of the estimates.

¹²Even the standard for "adequate physiological subsistence" must be above these "destitution lines", as it must include some capacity for additional purchases besides those involved in the minimum food budget, to satisfy a modicum of other needs also required for healthy physiological subsistence.

¹³These levels are somewhat higher than those used in some worldwide studies (World Bank, 1975; ILO, 1976) to

Table 1
POVERTY AND DESTITUTION LINES
(Annual per capita budgets in 1970 dollars^a)

Country	Poverty lines				Destitution lines			
	Metro-politan area	Urban average	Rural	National average	Metro-politan area	Urban average	Rural	National average
Argentina	249	249	164	231	124	124	93	117
Brazil	197	197	130	162	98	98	74	85
Colombia	176	170	116	147	88	85	66	77
Costa Rica	196	190	128	152	98	95	73	82
Chile	256	249	168	225	128	125	96	116
Ecuador	220	213	145	173	110	106	83	92
Honduras	190	183	125	142	95	92	71	77
Mexico	185	179	122	157	93	89	70	82
Panama	254	...	161 ^b	206	127	...	95 ^b	110
Peru	181	176	119	148	91	88	68	78
Uruguay	234	234	153	214	117	117	88	110
Venezuela	287	277	189	252	144	139	108	130

Source: O. Altimir (1979), table 11.

^aUsing average import exchange rates in 1970.

^bRest of the country.

Table 2 shows the estimates obtained of the incidence of poverty in eleven Latin American countries in about 1970, according to the proportion of households beneath the corresponding poverty lines, for each country as a whole, for urban areas and, residually, for rural areas.

In some countries (Brazil, Colombia, Honduras), urban poverty affected more than a third of urban households, as against between 20% and 30% of households in Peru, Mexico and Venezuela, roughly 15% in Costa Rica and Chile, and less than 10% in Argentina and Uruguay. The magnitude of poverty in rural areas, according to these estimates, is in no case less than 20% and in some countries as high as over 60% of rural households.¹⁴ Consequently,

obtain regional poverty estimates. The differences are largely attributable to the fact that the poverty lines estimated by CEPAL are explicitly normative and more specific with respect to regional conditions.

¹⁴It should be pointed out that these results may to some extent overestimate the incidence of rural poverty, as

the picture of the aggregate incidence of poverty at the national level is more uniform than the picture of urban poverty; if Argentina, and perhaps Uruguay, are excluded, no less than 20% of households were poor in countries such as Chile, Costa Rica or Venezuela, a third in Mexico, and over 40% in Brazil, Colombia and Peru, reaching two-thirds of the population in countries such as Honduras.

the flaws in the measurement of food produced for consumption in the home in some of the national income distributions used have not been entirely remedied by the corrections to those distributions (see O. Altimir, *op. cit.*). It could also be argued that the poverty lines established for rural areas are based, despite the adjustments made, on norms biased by urban conditions, but to this it may be replied that the dominant life style, in evidence in the cities through the wealthy strata and urban 'attractions', is also the benchmark for the aspirations of the majority of the rural population, as is corroborated by the scale of rural-urban migrations. In any event, these estimations of the incidence of rural poverty seem on first sight consistent, although naturally not coincident, with the CIDA estimates (1971) of stratification in the agricultural sector in various countries in about 1960, according to which between 60% and 90% of agricultural households consisted of smallholders and landless workers.

Table 2
ESTIMATES OF POVERTY IN LATIN AMERICAN COUNTRIES AROUND 1970

Country	Percentage of households below the poverty line			Poverty gap as a percentage of household income	Percentage of households below the destitution line		
	Urban	Rural	National	National	Urban	Rural	National
Argentina	5	19	8	0.6	1	1	1
Brazil	35	73	49	7.0	15	42	25
Colombia	38	54	45	8.0	14	23	18
Costa Rica	15	30	24	3.6	5	7	6
Chile	12	25	17	2.1	3	11	6
Honduras	40	75	65	17.4	15	57	45
Mexico	20	49	34	4.1	6	18	12
Peru	28	68	50	11.8	8	39	25
Panama	...	...	39	8.1	...	...	25
Uruguay	10	...	...	...	4	...	...
Venezuela	20	36	25	2.5	6	19	10
Latin America	26	62	40	...	10	34	19

Source: O. Altimir (1979), tables 12 and 14.

The above estimates of the magnitude of poverty in the main countries of the region served as a basis for the conclusion that at the beginning of the 1970s, 40% of Latin American households were poor, with an incidence of poverty of 26% in urban areas and 60% in rural areas. These estimates, which resemble those obtained by the ILO (1976), mean that in Latin America there were 110 million poor, almost 70 million of them in rural areas.

In addition, it was estimated that half the Latin American poor (roughly 20% of the total population) could be considered destitute. Table 2 indicates, it is true, that in a good number of countries a third of the poor population were in that situation, but even though the estimates of destitution in rural areas (and all the more so those of rural poverty) are subject to serious reservations, they do at least indicate that in some cases the scale of the problem is frankly appalling, affecting perhaps more than half the rural poor in Latin America. In urban areas, where destitution is a more clear-cut concept, generally speaking, one-third of the poor households were below the destitution lines. These estimates of the incidence of poverty measure the proportion of the population

in such a situation, but do not indicate to what extent the income of the poor falls below the normative poverty line. Consequently, the attempt at measuring the magnitude of poverty to which we referred (Altimir, 1979) included an estimate of these 'poverty gaps' which represent the total income or consumption shortfall from the poverty line of the poor households as a whole. Table 2 shows those gaps, estimated at the national level, as a fraction of total household income.¹⁵ In the countries where absolute poverty affected less than one-third of households, the total poverty gap represented less than 3% of total household income; in Brazil and Colombia it amounted to 7% and 8% of that income, in Peru to over 10%, and in countries such as Honduras to over 17% of total household income.

This indicator, based on the concept of the poverty gap, gives a comparative idea of the degree of difficulty inherent in the challenge of

¹⁵The expression of the poverty gap as a fraction of the gross domestic product, which is usually used although conceptually less meaningful, gives lower percentages (by roughly a quarter in most of the countries considered) than those shown in table 2.

eradicating poverty, in terms of social resources. It must be interpreted, however, with extreme caution. It would be naive to consider the percentages in table 2 as an indication of the size of the income transfers required to eliminate absolute poverty. In the first place, to achieve that objective in a permanent manner might require, as was pointed out above, a profound reorientation of the style of development, with institutional reforms and changes in the structures of production and prices which would bring about major changes in the entire distributional structure and not only in the respective income shares of the poor and of the rest of the population. Secondly, the solution of the problem of poverty involves not only providing the poor with larger proportions of current income but also changing the content of the social product in terms of goods, as well as the values guiding consumption. Finally, even if this expression of the poverty gap in terms of income shares is considered an indication of the magnitude of income redistribution which would have to be achieved by setting in motion processes of change, it cannot be taken as a measure of the social tensions and political resistance those processes would generate, which depend not only on the extent of the redistribution but also, and most particularly, on the cluster of policies, institutional reforms and alliances through which redistribution is undertaken.

Nevertheless, the relative magnitudes of the estimated poverty gaps indicate that the objective of eliminating absolute poverty is feasible, at least in terms of the proportion of social resources involved in most of the countries of the region. This represents a difference, and one full of implications, with respect to the situations of mass poverty in other regions of the Third World.

2. Access to public services

As the poverty lines established represent minimum private consumption budgets, they do not cover the components of basic needs which, in the institutional systems prevailing in the Latin American countries, are primarily met by free or heavily subsidized public services.

A review of the indicators available on the extent of those social services (primary education, health, drinking water and sanitation) in each country only gives an idea of the average probability of access to the service on the part of the population as a whole. In the absence of information on the real access of different social strata to these services¹⁶ it can only be conjectured that the poor have greater difficulty in access to the social services available than the average population.

The indicators in table 3 are illustrative in this sense. The coverage of primary education tends to be high in most countries of the region in terms of the enrolment of the school-age population. However, the population not enrolled, though representing relatively moderate percentages of the total population (from 15% or less in Argentina, Colombia, Costa Rica, Chile and Mexico, to slightly over 30% in Brazil and Honduras) most probably corresponds overwhelmingly to the low-income groups, particularly in rural areas. Furthermore, the use made of educational services cannot be considered satisfactory or consolidated until the basic cycle of primary education has been completed; the rates of retention in school until the last year of the cycle, given in table 3, combined with the enrolment rates, give an idea of real access to educational services. With the sole exception of Costa Rica, the proportions of the population of school age failing to complete the basic educational cycle are high even in Argentina, Chile, Uruguay and Venezuela, while in Brazil, Colombia and Honduras they account for most of this age segment of the population. It may be inferred from this, firstly, that real educational deprivation is considerable in all the countries of the region; secondly, that probably most of the population living in absolute poverty is deprived of access to complete primary education, on account of the very causal factors built into their situation; and thirdly, that for similar reasons educational deprivation affects population strata even above the poverty lines.

¹⁶A notable exception is the study by Selowsky (1979) on Colombia, whose results broadly confirm the assumptions given here.

Table 3
LATIN AMERICA: INDICATORS OF ACCESS TO SOCIAL SERVICES AROUND 1970
(Percentages)

Country	Education		Health	Drinking water	Drainage
	Net primary enrolment rates	Rates of retention to final basic year ^b	Hospital births ^e	Urban population served ^g	Urban population served
Argentina	83	60.9	...	78.0	33
Brazil	69	28.0 ^c	...	77.0	29
Colombia	86	37.0	...	89.0	60
Costa Rica	87	67.9	74.2	100.0	31
Chile	93	57.8	87.2 ^f	94.0	33
Ecuador	78	43.6	22.2	65.0	58
Honduras	68 ^a	...	20.0	97.0	60
Mexico	85	44.6	45.0	73.0	33
Panama	89	72.8	62.8	100.0	70
Peru	78	65.8 ^d	21.0	73.0	48
Uruguay	80 ^a	79.8	...	96.0	55
Venezuela	78	56.7	95.6	88.0	43

Note: Net primary enrolment rates: enrolment of children of legal primary school age as a percentage of all children in that age group.

Retention rates: pupils enrolled in the last year as a proportion of pupils enrolled in the first year of the period under consideration.

^a1965.

^bUNESCO: "Wastage in primary education: A statistical study of trends and patterns in repetition and dropout", in *International Conference on Education*, 1979.

^cProjected from 1973.

^dProjected from 1975.

^ePAHO, *Evaluación del plan decenal de salud para las Américas, 1971-1980*, initial evaluation, Mexico City, 1976.

^f1974.

^g1973. Urban population in dwellings with a connexion in the house or with easy access to drinking water.

The only indicator available on actual access to health services—the percentage of births taking place in hospital—suggests that only in a few countries with extensive public health systems is it possible for some of the low-income population—primarily urban—to have real access to those services.

The availability of drinking water for the urban population is quite high in almost all the countries in table 3; however, this indicator does not distinguish between types of availability (in the dwelling, outside it, in the neighbourhood); consequently, it is highly probable that a considerable proportion of the poor living in marginal shantytowns lack a suitable supply.

Finally, the proportion of the urban population which does not enjoy drainage services is

very high in almost all the countries, and still considerable even in those with the greatest coverage. Although the lack of drainage systems is a widespread shortcoming of urban infrastructure in rapidly growing areas, and efficient alternative solutions may be found at the individual level, here again it may be assumed that the poor in the marginal shantytowns are most affected by the sanitary consequences arising from the lack of this service.

This separate analysis of the probable degree of deprivation of public services and the extent to which it overlaps with insufficient purchasing power to achieve acceptable levels of private consumption should not obscure the interdependence inherent in the satisfaction of the various basic needs and the way in which the various shortfalls are reciprocally conditioning in the poverty syndrome.

3. The relative dimension of poverty

The foregoing measurements of the absolute dimension of poverty adopt the basic needs approach, without reference to the prevailing social inequalities or to the average availability of resources in each economy. Although in defining poverty standards in absolute terms account has been taken, for each country, of habits, behaviour and prices and availability of goods—all factors which reflect the dominant life style—this does not lead to a 'relativization' of poverty lines with respect to the average income in each economy. As pointed out above, the life style which orients the pattern of development and the behaviour of most social groups in the countries of Latino America corresponds increasingly to features acquired, through the mechanisms of the region's cultural, economic and technological dependence, from the life style prevailing in the industrial societies. The latter, however, is underpinned by much higher levels of social productivity. In these circumstances, the average income of the economy does not necessarily correspond to the requirements of that life style.

The comparison of poverty situations with average income has a number of senses, however. Average per capita income represents the real availability of economic resources, irrespective of how they are appropriated or concentrated, as a result of the global productivity attained in each economy. It also represents the living conditions of the upper strata of the local social pyramid: given the prevailing concentration of income in our countries, no less than two-thirds and as much as four-fifths of all households fall below the average income in the distribution.¹⁷ Finally, it presents the income each person would have according to a norm of absolute equality.

The poverty lines in table 1 keep the same relationship as in table 4 with respect to the corresponding averages of per capita personal

disposable income. In some cases (Argentina, Costa Rica, Chile, Mexico and Uruguay) those with an income below one-third of the national average would be in a poverty situation defined in absolute terms; in other cases (Brazil, Panama, Peru, Venezuela) the absolute standard is close to half the per capita average income; while in countries such as Honduras, the poverty line is above two-thirds of the national average. The fact that the poverty lines defined on the basis of a core of basic needs represent such different fractions of per capita average income in each country stems from the differences in the absolute levels of development, household consumption patterns and relative food prices. The conclusion may be drawn that the larger the fraction, the more equitable the income distribution must be for the satisfaction of the population's basic needs; and hence, given the existing inequalities, the greater the relative importance of redistribution as a component of the strategy to be followed to achieve that goal.

Table 4

INDICATORS OF THE RELATIVE DIMENSION OF POVERTY IN LATIN AMERICA AROUND 1970

Country	Ratio of absolute poverty lines ^a to average per capita disposable income	Households whose income is less than half the average income	
		National (percentages)	Urban (percentages)
Argentina	0.28	28	27
Brazil	0.46	54	52
Colombia	0.62	48	43
Costa Rica	0.36	36	34
Chile	0.37	39	38
Honduras	0.68	58	40
Mexico	0.30	48	44
Panama	0.44	47	...
Peru	0.43	48	34
Uruguay	0.31	...	25
Venezuela	0.41	38	37

Source: O. Altimir (1979), table 15.

^aSee table 1.

¹⁷However, it would be wrong to assume without further analysis that the groups placed at that average income level are effective reference groups—in the sense of the theory of relative deprivation—for those lower down in the pyramid.

An alternative approach to the way in which to define and measure poverty consists,

as mentioned earlier, in the normative selection of the fraction of average income beneath which households are considered poor. To make this choice without regard to needs and without examining feelings of relative deprivation is to postulate, with a considerable degree of arbitrariness, a norm concerning maximum acceptable social inequalities, at least between the bottom of the distribution and the middle and upper strata. To measure poverty according to such a definition has, however, the merit of saying something about the size of those inequalities.

Table 4 shows the percentages of households in each country with a per capita income below half the average for households as a whole. This study was made (Altimir, 1979) by uniformly applying the poverty standard suggested by Atkinson (1975) to the same income distributions as were used for the estimates of absolute poverty presented above. In about 1970, in most countries the relative dimension of poverty thus defined was significantly higher than the absolute dimension (table 2) defined on the basis of needs. Only in some countries where the incidence of absolute poverty is very high does it exceed the relative estimate; in other cases (Brazil, Colombia), the two types of measurement are of a similar order of magnitude, while in other countries, where the absolute dimension of poverty was less severe, it was far exceeded by relative poverty, which had more uniform orders of magnitude: between 28% (Argentina) and 40% (Mexico) of the population.

As a result, the picture of the relative dimension of poverty in Latin America is more uniform than that of its absolute dimension. The differences to be observed among the countries considered in table 4 reflect the differences in the degree of inequality between the base and the rest of the social pyramid: in the countries where overall inequalities are greatest, half the population falls below the chosen relative norm; in others, about one-third of the population is affected, and in two countries (Argentina and Uruguay), a little over a quarter. Some of these differences may be attributed in part to the greater inequality associated with rural underdevelopment. The

inequalities existing in urban areas of the Latin American countries give rise to relative magnitudes of poverty somewhat smaller than those existing at the national level, as may be seen from table 4. On the other hand, however, in almost all cases the proportions of households with an income less than half the urban average are well above those corresponding to the absolute dimension of poverty. Furthermore, as might be expected, the size of the difference between the two estimates is directly related to the level of development attained. Bearing in mind that the drawing of poverty thresholds related to average income is more meaningful for urban areas, given the greater visibility of social inequalities, the problem of poverty may be considered in more dynamic terms.

Although for the purposes of a rather rudimentary preliminary analysis of the problem we have abstracted the absolute and relative dimensions of poverty and handled them as alternative approaches, there can be little doubt that both dimensions affect the real behaviour of low income groups and their social position. The deprivation they suffer in the satisfaction of their basic needs conditions their probabilities of survival, their opportunities and their participation in the economic and social processes. At the same time, moreover, inasmuch as they assess their own situation in the light of the average level of wellbeing achieved by society, their relative deprivation of social goods may determine their behaviour and attitudes towards the rest of society, giving rise to the pathological manifestations which are unquestionably partly responsible for the present concern for poverty.

This interaction between the two dimensions of poverty means that the nature of the problem changes in the course of development, and that it persists beyond what is usually recognized by evaluations at specific points in time. In situations where the extent of poverty in absolute terms is greater than relative poverty, the satisfaction of basic needs is not merely a moral imperative but also a requirement for raising the global productivity of the economy. In the course of development it becomes possible to satisfy basic needs to some extent, although their content changes and the mini-

mum levels rise, but the persistence of an unequal income distribution heightens the importance of the relative aspects of poverty. Where the absolute dimension of poverty is less overwhelming, the relative aspects become more important, and the measurement of poverty in relative terms provides a more suitable assessment of the extent of the problem, which becomes less one of basic

needs than one of social inequalities. In short, inasmuch as economic growth makes it possible to attenuate the more glaring absolute aspects of poverty, given the greater availability of goods, the nature of the problem also changes; consequently, any linear reasoning concerning the more or less automatic trickle-down of income increments and the eradication of poverty must arouse reservations.

IV

Recent poverty trends

In a recent study (Piñera, 1979b) it was estimated that between 1960 and 1970 the incidence of absolute poverty in a significant group of six Latin American countries¹⁸ declined from 49% to 39%, with the result that almost 10% of the population ceased to be poor during that period.

These results, however, could lead to erroneous conclusions if a least four kinds of factors which may distort quantitative evaluations of the absolute magnitude of poverty at two different points in time are not taken into consideration. Firstly, there is the lack of comparability of the income distributions used in each country to measure the incidence of poverty in about 1960 and in about 1970. In some cases these distributions were obtained by completely different procedures.¹⁹ In the other countries considered, although the distributions for those periods come from censuses or surveys, they correspond to different concepts of income—and even different units—and are based on data of varying quality, so that it may be assumed that the biases affecting them may be of different size, which would restrict their comparability. Secondly, these quasi-regional

results average out the varying trends which may have taken place in each of the countries concerned, on the basis of different distributive structures, in the framework of different political styles (Graciarena, 1976) and in periods during which growth rates and economic policy orientations in those countries varied considerably. If only for these reasons, it would be rash to draw, without further analysis, general conclusions from them concerning the relationship between poverty trends and growth within the prevailing style of development in Latin America.

It should be stressed, however, that in the estimates with which we are concerned all the countries considered recorded a decline in the incidence of absolute poverty, although to varying degrees.²⁰ No matter how the scanty evidence available on income distribution in those countries is handled, these trends are confirmed. This is true whether only the relatively more comparable income distributions are used, or whether they are adjusted according to various criteria to correct their biases

¹⁸These countries—Brazil, Costa Rica, Colombia, Chile, Mexico and Peru—in 1970 accounted for 72% of the population and 67% of the product of the region. The estimates strictly correspond to the situation in those countries in about 1960 and about 1970 (Piñera, *op. cit.*).

¹⁹Especially in Chile and Peru, where the distributions used for about 1970 come from income surveys, whereas those for earlier periods were put together on the basis of various partial sources of data.

²⁰According to those estimates, the percentage of poor households dropped from 66% to 43% in Colombia in the period 1964-1974; from 51% to 20% in Costa Rica between 1961 and 1971; from 36% to 27% in Mexico between 1963 and 1968; from 52% to 44% in Brazil between 1960 and 1970, and from 58% to 52% in Peru between 1961 and 1971 (Piñera, 1979b). The percentages for the incidence of poverty estimated for about 1970 do not coincide with those in table 2 for those countries, because although the same poverty lines were used, they were applied to approximate distributions by levels of per capita disposable income instead of approximate distributions by per capita consumption levels.

towards the underestimation of income, which would improve their comparability to some extent. On the other hand, the limitations of the data do not allow any firm conclusions to be drawn concerning the intensity or pace with which the proportion of households below the poverty line has been decreasing.

In the case of Mexico, the income and expenditure surveys of 1963 and 1968 are essentially comparable; if the original distributions are cut by poverty lines with a real value equivalent to those of table 1, about 14% less households would be in poverty (39% in 1968 as against 53% in 1963). Attempting to correct the underestimation of income in both surveys through one adjustment procedure (Navarrete, 1970), one obtains the poverty trends estimated by Piñera (1979b); if the results are adjusted by an alternative procedure (Altimir, 1979), the percentage of poor households declined by 11% (from 46% in 1963 to 35% in 1968).

The analysis of income distribution trends in Brazil is based on the results of the 1960 and 1970 population censuses, the varying quality of which throws doubt upon their comparability. Cutting the two census distributions with poverty lines of equal value results in 72% of poor households in 1960 and 64% in 1970.²¹ However, both distributions heavily underestimate income. The adjustment made by Piñera (1979a) to make average incomes coincide with disposable income in the national accounts is uniform for income levels and leads to the foregoing estimates which indicate an 8% decrease in the number of poor households. If another adjustment criterion is applied to the two census distributions, breaking down the distributions by socio-economic groups and individually adjusting the underestimation of each type of income according to specific hypotheses, poverty measurements are obtained of 61% in 1960 and 55% in 1970, i.e., a drop of the order of 6% in poor households.²²

²¹A similar percentage is obtained from Langoni (1972) on the basis of the 1970 census results.

²²Using the results of the PNAD income survey for 1972, which is of higher quality than the census data, the estimate gives 56% of poor households for that year. The adjustments for underestimation—somewhat less arbitrary in this case, on account of the better quality of the basic data—do not significantly alter the estimate.

For Colombia, the most reliable income distributions which can serve as a basis for comparison are the distribution estimated by Berry and Urrutia (1976) for 1964, and the distribution resulting from the DANE income and expenditure survey (1976) for 1971, both for individual recipients, although their comparability is not without limitations. If the two distributions are cut by equivalent poverty lines of real value similar to those in table 1, the proportions of poverty obtained are 55% and 52% respectively, with only a slight decline during the period.

A third type of reservation concerns the procedures used to maintain constant, in these comparisons, the real value of the poverty lines estimated for 1970. For this purpose, the price indexes implicit in the gross domestic product were applied, which reflect the average price change in each country.²³ The question which arises is to what extent the prices paid by the lower income groups change in the same way as those paid by the population as a whole. For instance, food, which weighs more heavily in the budget of poor households, has tended to become more expensive in relation to the other items of the consumer price indexes for the urban areas in most of the countries of the region. The same may have been true of the value of the normative food budgets, although it has not been possible to verify this. To what extent the prices paid by rural households have followed a similar trend is a matter for conjecture. In any event, there are reasons for believing that the real value in 1960 of normative poverty lines for some of the countries considered may have been somewhat lower than estimated, which would mean that in some cases the decline in absolute poverty may have been somewhat less than indicated.

Finally, perhaps the fundamental reservation regarding these results is the use of poverty lines which do not vary over time, instead of redefining them for the past according to contemporary standards. As was indicated above, definitions of poverty cannot be unchanging;

²³It might have been more appropriate to use consumer price indexes, but this would not have significantly altered the results, given the closeness of the two types of index.

while they seek to grasp objectively the non-satisfaction of basic needs at a given time, the extension of the concept and the norms of minimum satisfaction are conditioned by the dominant life style, which changes with time in the course of development. These considerations, which are obvious for the evaluation of long-term poverty trends, may seem exaggerated when considering the period of one decade. However, not to recognize that many of the changes observed retrospectively in life styles and value systems have been generated gradually over successive decades would be to indulge in historical subjectivism which would rapidly undermine any projection over time of this type of exercise. More specifically, it is impossible to isolate poverty lines from the Engel-type behaviour of the demands of society as a whole within the framework of one general life style, which involves a relative upward shift in the ranking of goods—and also perhaps of needs—as income rises.

To test the sensitivity of the results with respect to the assumption of invariance over time, let us admit for the time being that the change in the contemporary poverty norms in Latin America is represented by poverty lines whose real value rises with an elasticity of 0.5 with respect to the increments in per capita average real income. On this assumption, the incidence of poverty in any event declined somewhat in the 1960s, but only by half the magnitude estimated by Piñera (1979b), as in that case poverty in about 1960 would have extended to roughly 44% of the Latin American population.

Establishing poverty lines which are unchanging in time amounts to postulating that in the final analysis poverty will be eliminated by the effect of growth. For the magnitude of absolute poverty thus defined to continue in the long term as a proportion of total population, while per capita real income in the economy as a whole rises, the distribution of income would have constantly to deteriorate, so that the real income of the poor would remain unchanged; any uniform increases in the real income of the groups below the poverty line would mean that some of them would rise above the line, reducing the global incidence of absolute pover-

ty in that society. Thus Piñera (1979b) estimates that the real value of the poverty gap for the set of six countries which he analyses declined by 9% between 1960 and 1970 and that its relative size shrank from 8% to 4% of the total gross product of these countries. Half that decline is said to be attributable to the rise in the per capita real product and the other half to the rise in the real incomes of the population which in 1960 was below the poverty lines whose real value was equivalent to those of 1970.

Using such a simplified model of the relationship between poverty and growth, and further assuming—as would seem to be substantiated by the fragmentary evidence available—that the income concentration existing at the beginning of the decade of the 1970s has continued without major change, it may be estimated that the incidence of absolute poverty has now fallen to 33% of the Latin American population (Molina and Piñera, 1979). Furthermore, if these income distributions were to persist in the long term, the eradication of mass poverty by the 'trickle-down' effect of the general growth of income would be feasible within one or two generations. If long-term growth of real per capita income occurred at the rates recorded in each country during the period 1974-1979, and poverty norms remained at the real levels established in 1970, Brazil would take another 33 years to reduce the dimension of absolute poverty to 10% of its population, Mexico more than 45 years, and Colombia more than 20 years. On the other hand, if it were possible to increase the rate of growth, with long-term rates similar to the average recorded in each country during the period 1970-1979, our numerical exercise would mean that the reduction of absolute poverty to the 10% level would take more than 20 years in Brazil and Colombia, and over 30 in Mexico.

If it is considered, on the other hand, that poverty norms will rise with economic development and the ensuing changes in life styles and societal values, and if it is admitted that this process is roughly represented by poverty lines which vary with an elasticity of 0.5 with respect to the per capita product, the prospects offered by the 'trickle-down' of growth as the sole hope

of reducing the absolute magnitude of poverty to 10% of the population are entirely different. To achieve this target would take 75 years in Brazil, 50 in Colombia and over a century in Mexico, at the economic growth rates for 1974-1979, and 47, 40 and 78 years, respectively, if long-term growth attained the rates achieved in the period 1970-1979.

These numerical conjuring tricks, based on an exaggerated abstraction of the relationship between poverty and growth, at least serve to indicate the conclusion that future economic

development in the main countries of Latin America, following the prevailing style, will probably slowly raise the real income of the lower income groups and thus gradually reduce the absolute dimension of poverty. The trickle-down process, however, is discouragingly slow when viewed from the standpoint of the satisfaction of basic needs. Furthermore, what is probably more important is that growth itself changes the nature of the problem of poverty, which in fact cannot be eliminated without a substantial reduction in inequalities.

V

Evolution of living conditions

The income or consumption expenditure of households may be viewed as resources which may be applied to the satisfaction of needs which in turn determine the conditions in which they live. Consequently, the estimates of the incidence of poverty analysed above are measurements of inputs rather than of results in terms of the living conditions of the population.²⁴ The question therefore arises of the extent to which the living conditions of the lower strata have really improved according to indicators of results. Table 5 shows the recent trends in some basic indicators of this kind: life expectancy at birth, infant mortality and adult illiteracy. They show a striking improvement in all these basic aspects of the population's living conditions in almost all countries. Unquestionably, the expansion of free public health and education services, migration to the urban centres and the increase in real income itself have brought about these trends in the average values for the population as a whole. To what extent have the poor shared in these improvements? Regrettably, not even the basic indicators which we are using are available by socio-economic strata. In the case of infant mortality alone, it is known that the mortality

risk of children whose mothers have no education is in most countries of the region between three and four times higher than that of children at the other end of the social pyramid, whose mothers have 10 or more years of schooling (Behm and Primante, 1978). However, even if these differences are taken into consideration it is unlikely that the drop of the order of 20% to 30% in infant mortality in the countries of Latin America between the 1960s and 1970s (see table 5) can have occurred with exclusion of the low-income groups. On the other hand, it is impossible to know whether the rates of infant mortality in those groups have improved to a greater or lesser extent than the national average rates; perhaps in those countries where the drop in the infant mortality rates was more spectacular this may have resulted from a substantial improvement in child mortality among the poor, where the room for improvement is greatest.

The same type of reasoning might be made with regard to the generalized improvement in life expectancy at birth shown in table 5. However, as the trends in this indicator might be heavily influenced by the decline in general mortality in the middle strata, as a result of the improvement in their living conditions, any hypothesis as to the relative magnitude of the rise in the life expectancy of the poor is flimsier.

With regard to illiteracy, the progress

²⁴Moreover, they do not even cover all resources or inputs at the disposal of households, as they do not include, as mentioned above, the free public services which are actually used.

Table 5
RECENT TRENDS IN SOME BASIC SOCIAL INDICATORS

Country	Life expectancy ^a (years)		Infant mortality between 0 and 1 year ^b (per thousand)		Illiteracy ^c (percentage of population aged 15 and over around:)	
	1960-1965	1970-1975	1960-1965	1970-1975	1960-1965	1970-1975
Argentina	66.0	68.4	54	44	8.6	7.4
Bolivia	43.5	46.7	225	157	61.2	37.3
Brazil	55.9	59.8	112	95	39.0	33.8
Colombia	56.2	60.4	85	67	27.1	19.2
Costa Rica	63.0	68.1	80	50	16.0	11.6
Cuba	65.1	70.9				
Chile	57.6	64.2	107	72	16.4	11.9
Ecuador	51.9	57.1	132	100	32.5	25.8
El Salvador	52.3	59.1	123	92	51.0	42.9
Guatemala	48.2	54.6	128	104	62.1	53.9
Haiti	43.6	48.5	171	135	85.5	76.7
Honduras	47.9	54.1	137	110	55.0	43.1
Mexico	59.2	62.7	86	69	34.6	25.8
Nicaragua	47.9	52.9	137	109	50.4	42.5
Panama	63.2	67.4	67	47	26.7	21.7
Paraguay	56.6	63.1	81	53	25.4	19.9
Peru	48.8	55.0	161	122	38.9	27.6
Dominican Republic	52.6	57.9	110	83	35.5	32.8
Uruguay	68.3	68.6	49	47	9.6	6.1
Venezuela	58.9	64.5	77	53	36.7	23.5

^aSource: CELADE, "Boletín Demográfico N.º 27".

^bSource: CELADE, implicit rates in life tables.

^cSource: UNESCO, "Statistics on level of education and illiteracy 1945-1974", *Statistical Reports and Studies*, No. 22, Paris, 1977.

made between the early 1960s and the mid-1970s, as shown in table 5, means that in one group of countries²⁵ there were about 4% or 5% less illiterates among the population aged over 14 years in the latter period; in another group of countries, between 7% and 9% of the adult population had ceased to be illiterate; and in other countries (Bolivia, Honduras, Jamaica, Peru and Venezuela) more than 10% of the adult population had ceased to be illiterate during the period. Given the close link between illiteracy and poverty (Molina and Piñera, 1979) it is probable that any decline in

the proportion of illiterates is relatively concentrated in poor groups; this is all the more probable when the degree of literacy achieved in the country is higher. Bearing this in mind, it may be considered that the moderate advances recorded in the countries of the first group (with the possible exception of Brazil and the Dominican Republic) have mainly involved the poor. Among the countries of the second group, this may also be true of Colombia and Mexico, in view of the existing levels of literacy. In the countries of the third group, the noteworthy progress made in adult literacy probably involved a considerable proportion of the poor among the population made literate.

In short, the low-income groups cannot fail to have shared in the improvements in living

²⁵Argentina, Brazil, Costa Rica, Chile, Guyana, Panama, Paraguay, Dominican Republic, Trinidad and Tobago and Uruguay.

conditions revealed by the indicators in table 5. This does not mean that for considerable proportions of the Latin American population these conditions do not continue to be appalling, nor that inequalities in living conditions do not persist which, when their consequences are duly appreciated (as in the

moral justification of a difference of 20 years in life expectancy at birth), are patently absurd. From this standpoint, again, social inequalities become more clear-cut as the more elementary levels of satisfaction of basic needs are surpassed.

VI

Income inequalities

The data available from censuses and household surveys on income distribution in Latin American countries are not favourable to comparisons over time. The main problems hindering such comparisons are: differences of coverage, and the fact that most surveys do not have national coverage; the differing concepts of income in the surveys; the use of reference periods of different length; and in general the differences in the methods of investigation of income used in each type of survey, the differences in data quality and consequently the extent to which each survey underestimates household income, at least with reference to the framework established by the national accounts (Altimir, 1975). These problems restrict the real possibility of comparing different measurements of income distribution at the national level to three countries—Brazil, Colombia and Mexico—and even here the comparisons are not without limitations and can only give a rough idea of what income distribution trends may have been since 1960 in each case.

To this end, tables 6, 7 and 8 give the measurements available on income distribution in Brazil, Colombia and Mexico which may serve as a basis for a comparison over time, as well as the results of adjustments made to the original data in an attempt to improve to some extent the comparability of the measurements. These adjustments are necessary because it is rather unacceptable that the underestimation of incomes, both total and of each type, in the different studies should be distributed uniformly by income levels, since it is therefore probable that the underestimation distorts the

share of each group in total income.²⁶ The adjustments were carried out on the component distributions corresponding to different economic groups, distributing the discrepancy existing between the survey and the national accounts for each type of income, assuming that underestimation is uniform within each type of income received by each socioeconomic group, with the exception of the underestimation of realized property incomes which were allocated to the upper quintile of the aggregate distribution. When analysing the results obtained, it should be remembered that any adjustment to the results of a survey not based on a strict measurement of its biases is to some extent arbitrary. However, inasmuch as the adjustment procedure makes convincing assumptions about which groups receive the national accounts income not recognized in the distribution by levels of the survey, the adjusted results are probably closer to the true picture of inequalities than the original survey data.

The evidence presented in table 6 on the trends in the distribution of household income in Brazil is quite conclusive, showing that the concentration of income increased considerably between 1960 and the early 1970s, with a sharp decline in the share of the bottom 40%. This is indicated by the comparison of the

²⁶These adjustments are part the programme of work of a CEPAL/World Bank joint project on the measurement and analysis of income distribution in Latin America, and were undertaken following the analysis and comparison of the information available.

results of the 1960 and 1970 population censuses, but the rise in concentration is more marked in a comparison of the data from the two censuses and the PNAD survey of 1972, once adjusted to correct the underestimation existing in each case: the share of the households at the bottom of the pyramid declined between 1960 and 1972 from 9.3% to 5.6% of total income, while that of the top 10% rose from 48.5% to 58.7%. The adjustments to these data by Pfeffermann and Webb (1979), using a different criterion, generally result in smaller concentrations of income, but agree on the

Table 6

PROBABLE INCOME DISTRIBUTION
TRENDS IN BRAZIL
(Percentage of total family income)

	Percentile groups of households		
	Bottom 40	Middle 50	Top 10
1. 1960 Census			
(a) Original data (Fishlow, 1972)	10.1	46.7	43.2
(b) Adjusted by Fishlow (1972)	12.2	48.0	39.8
(c) Adjusted by Pfeffermann - Webb (1979)	9.8	40.2	50.0
(d) Adjusted by the author	9.3	42.2	48.5
2. 1970 Census			
(a) Original data (Langoni, 1973)	9.5	44.6	45.9
(b) Adjusted by Pfeffermann - Webb (1979)	8.4	40.1	51.5
(c) Adjusted by the author	6.9	38.7	54.4
3. PNAD 1972			
(a) Original data (IBGE, 1974)	7.0	42.4	50.6
(b) Adjusted by Pfeffermann - Webb (1979)	8.9	37.5	53.6
(c) Adjusted by the author	5.6	35.7	58.7
4. PNAD 1976			
(a) Original data (IBGE, 1978)	7.7	40.0	52.3
(b) Adjusted by Pfeffermann - Webb (1979)	7.8	...	...

direction of the trends. If the results of the PNAD surveys of 1972 and of 1976 are compared, however, it may be seen that between those two years there was some improvement in the share of the bottom 40%, although concentrations at the top increased.

There is a fairly reliable estimate of income distribution in Colombia in 1964 carried out by Berry and Urrutia (1976), but it refers to the active population. Table 7 includes, besides the results of that study, those of the surveys by DANE which provide more bases for comparison. The results of the 1971 family budget surveys on total income distribution among all individual recipients, both active and passive, show no underestimation with respect to the national accounts; compared with the results of the 1964 estimate, there is a decline in income concentration, with an improvement in the share of the low income groups. The results of the manpower survey of that year refer to the employed population and thus should be more comparable with those of the 1964 estimates, but this survey underestimates total income and therefore perhaps also underestimates the degree of concentration; nevertheless, it appears to confirm the improvement in the share of the 40% with the lowest incomes. The distribution of individual recipients by income levels resulting from the 1972 family budget survey provides a different picture from the similar survey held in 1971, since the income shares of the different groups are shown as similar to those existing in 1964. This survey, however, estimates household incomes considerably above those of the national accounts, which suggests that the results may be affected by different biases. In sum, on the basis of this relatively weak evidence the conclusion may be drawn that probably income distribution in Colombia improved somewhat between 1964 and the early 1970s, with some rise, although perhaps not very significant, in the share of the base of the pyramid.

For Mexico, similar surveys held in 1963 and 1968 indicate a weakening of concentration and a rise in the share of the lowest income households, as may be seen in table 8. However, once the corresponding adjustments for underestimation have been carried out, the concentration appears to be of the same order

Table 7
PROBABLE INCOME DISTRIBUTION TRENDS IN COLOMBIA
(Percentage of total income)

	Units considered	Percentile groups of individual recipients		
		Bottom 40	Middle 50	Top 10
1. Berry - Urrutia estimate (1976) for 1964	Remunerated EAP	8.8	43.6	47.6
2. EH-4 Family Budget Survey (DANE, 1976) for 1971	All recipients	9.9	46.3	43.0
3. EH-4 Manpower Survey (DANE, 1976) for 1971	Remunerated employed population	10.3	45.4	44.3
4. EH-6 Family Budget Survey (DANE, 1977) for 1972	All recipients	8.4	43.5	48.1

Table 8
PROBABLE INCOME DISTRIBUTION TRENDS IN MEXICO
(Percentage of total family income)

	Percentile groups of households		
	Bottom 40	Middle 50	Top 10
1. Family income and expenditure, 1963			
(a) Original data — total income (Banco de México, 1967)	10.2	47.6	42.2
(b) Adjustment by the author — total income	8.0	43.2	48.8
2. Family income and expenditure survey, 1968			
(a) Original data — total income (Banco de México, FCE, 1974)	11.2	48.8	40.0
(b) Adjusted by the author — total income	8.0	42.6	49.4
(c) Original data — Primary cash income plus transfers	9.6	47.8	42.6
3. Household income and expenditure, 1977			
(a) Original data — Primary cash income plus transfers (Dirección General de Estadística, 1979)	10.4	52.8	36.8

in both years, and the share of the base did not increase, although perhaps the situation improved between 1968 and 1977. When the original results of the 1968 survey are reduced to a concept comparable to that used in the 1977 survey, and to the extent that both studies are comparable in other respects, there is a decline

in concentration and some rise in the share of the bottom 40% of households. According to this evidence, the functioning of Latin American dependent capitalism, including that of the various variants which have arisen in the main countries of the region in recent decades, does not appear to offer clear prospects of a signif-

icant and lasting reduction in the inequalities existing between the base and the rest of the pyramid, nor therefore in the relative dimension of poverty.

This conclusion would certainly be strengthened if the field of evidence were expanded to include the distributive results of the programmes of economic reorganization recently undertaken by Argentina and Chile. In this connexion, Brazil is an illustrative case. The process of reorganization there involved, at its most critical point, a very large fall in the already small share of the low-income groups (see table 6, adjusted data), which even appears to have involved a drop in their real income at a time of substantial growth in the per capita product. Once the most critical phase of the process had been completed, and the new

order consolidated, concentration in the top strata remained and the loss suffered by the bottom groups was only very partially corrected. In short, with a striking growth in the medium term of the per capita product (4.8% annually) between 1960 and 1976, the bottom 40% of the households increased their real income at a rate significantly lower than that of all households.

In Colombia and Mexico, where the functioning of the system was not reorganized in this way or to this extent, the major features of existing inequalities remained, although with some improvement in the relative situation of the group at the bottom of the pyramid, whose real incomes rose at rates slightly above the average.

VII

Poverty and underemployment

In the current view of underemployment and the insufficient use made of labour resources, the underemployed are defined as those persons whose occupation is inadequate with respect to certain standards or to other possible employment, and a distinction is drawn between visible and invisible underemployment. The former is a statistical concept which characterizes situations where employment is of shorter duration than normal, and the person seeks or would accept additional work; it reflects an insufficient volume of employment. Invisible unemployment refers to a situation reflecting the bad distribution of manpower, or a fundamental disequilibrium between labour and the other factors of production; characteristic symptoms of such situations are low income levels, insufficient use of skills and low productivity (ILO, 1975).

The concept of visible underemployment is fundamentally based on economic considerations concerning the use of every individual's capacity to work. In Latin America, it affects primarily wage-earners in the modern sectors or formal activities, and affects rela-

tively smaller proportions of the population than invisible underemployment.

The concept of invisible underemployment brings together two concerns with clearly different analytical implications: concern for the welfare levels of the population in terms of employment, and concern to make proper use of the human resources available for production. This underlies the many criteria proposed for measuring it, which seek to embrace the different aspects of invisible underemployment. The broadest category, most associated with the use of labour, is that of potential underemployment, which is considered to exist when labour productivity in the production unit is abnormally low, with reference to a particular standard. Situations where the requirements of productive activity imply an inadequate use of manpower skills on the other hand are considered to be hidden underemployment; although they may also be covered by the criterion of potential underemployment, such situations have clear welfare connotations. However, the criterion currently used to identify situations of hidden underemploy-

ment is the receipt of a low level of income (ILO, 1975). This criterion has different implications according to which of the two above-mentioned concerns guides the analysis (CEPAL, 1979). Inasmuch as the analysis is directed towards the efficiency shown by the system in the use of human resources, and is therefore concentrated on productivity, it is necessary to judge whether the income received is a suitable indicator of manpower productivity levels and, in the affirmative case, to establish the income threshold below which abnormally low productivity may be assumed to exist. However, if the use of income to identify hidden underemployment stems from a concern for labour welfare, the determination of income thresholds must be guided by the same normative approach as was used to define poverty. Strictly speaking, they should be derived from the poverty lines.

These considerations provide a framework for the conceptual relationship between poverty and unemployment. To define poverty among the employed population is tantamount to defining the scope of hidden underemployment through incomes. Another problem remains, however, which is that this definition of underemployment does not distinguish between low income resulting from low productivity and low income which reflects the underremuneration of workers in situations of full use of their productive capacity. It is difficult to accept, for example, that abnormally low incomes of workers employed in production units of the modern sector may be due to a lack of use of their capacity. On the other hand, in the traditional and informal activities where low incomes tend to be concentrated they are much more frequently indicative of insufficient use of labour capacity (PREALC, 1974; CEPAL, 1979).

The measurements of the extent of poverty may therefore be considered as approaches to the problem of underemployment from the welfare side, and open the way for treating the problem of poverty from the standpoint of inadequate use of human resources. In the final analysis, this approach is that of underdevelopment.

The heart of the problem of poverty lies in the underemployment aspect. Income differentials per person employed explain over half the per capita income inequalities among poor households in the rest of the pyramid, while the remainder is attributable to differences in the rates of participation in the labour force and in rates of dependence (Molina and Piñera, 1979). In rural areas, poverty is concentrated among agricultural wage-earners and small producers; in urban areas, among own-account workers, labourers and employees in services.

Unfortunately, the manpower surveys do not usually provide the essential information for detecting and analysing underemployment (CEPAL, 1979). However, estimates by PREALC (1979) indicate that between 75% and 90% of the poorest of the employed, i.e., those receiving wages below the legal minimum wage, in the main cities of seven Latin American countries were engaged in activities which were defined as informal.

The results obtained to date by a study being carried out by CEPAL and UNDP on critical poverty in Latin America provide profiles of poor households in some countries, according to the characteristics covered by manpower surveys.²⁷ These results make it possible to see how far the problems of poverty and underemployment overlap, and also to quantify the relative importance of poverty situations which are not directly attributable to underemployment. With regard to the latter, the results show greater relative concentration, among poor groups, of households with unemployed heads and with non-active heads (housewives, disabled persons, persons living on transfers, and other non-active persons), as well as households with women heads. They also show that households whose heads are visibly underemployed (up to 39 hours' work per week, but preferring to work longer) have a far higher than average probability of being poor.

²⁷See Molina and Piñera (1979), and Piñera (1978a, 1978b and 1979a).

VIII

Final considerations

These broad impressions may also serve to dispel to some extent our ignorance of the concrete processes relating the different forms of dependent capital development in Latin America with the poverty of large sectors of the population.

As was pointed out earlier, the (considerable but not total) extent to which poverty may be assimilated to underemployment brings us back to the heart of the problem of underdevelopment. The trickle-down of growth has proved unable to solve the problem of poverty, viewed in a historical perspective, with the urgency which growing social awareness attaches to it. If modernization acts at all in accordance with the predictions of Lewis's model (1954), which were partly responsible for the post-war emphasis on modernizing growth, it is doing so over a much longer time span than was expected, and at a human cost which far exceeds the bounds of what is acceptable. Indeed, it may perhaps work over so long a period that in the foreseeable horizon all that can be rescued from the theory is the functionality of poverty for the development of modern capitalist activities. In that case, the elimination of underemployment would no longer be realistic as an integral element of the strategies to eliminate poverty, and emphasis should be shifted to its elimination outside the production system. However, the various kinds of experience in Latin America since the war have shown the limited feasibility of efforts by governments to introduce permanent redistributive reforms on the necessary scale which harm the long-term interests of the coalitions supporting them. The proposals of strategies focusing on basic needs seek to achieve this objective not merely through redistribution but also by reorienting growth itself, so that the entire style of development—and, obviously, of the power structure too—becomes congruent with the satisfaction of basic needs, without calling for

the permanent redistribution of the fruits of growth directed towards other ends. However valuable such utopias may be in inducing change, in any event the formulation of concrete strategies which attach to the objective of eliminating poverty the place which their seriousness and urgency demand calls for further investigation of those elements already present in the Latin American economies which may be mobilized to that end. The search for those elements should include more detailed study of the causes of the striking dynamism of those economies, of which the main ones have already achieved a middle-income level. In this connexion, some questions seem crucial. What combination of modernization, land reform and migration towards productive employment in the cities would drastically reduce agricultural underemployment? What are the specific activities where there are viable possibilities of introducing 'appropriate' indigenous or imported technology? What are the dynamic effects of the improvement in the levels of health and of education and training of the poor groups on the supply of labour at different skill levels, and their consequences for the choice of technology and the demand for skills? What are the economic limits and repercussions on productive employment of wage policies guided by the overall productivity of the economy rather than by sectoral bargaining power? How much room is there for reorienting consumption patterns, given their relationship with imported production technology? How can public expenditure be reallocated to achieve the satisfaction of basic needs? What is the greatest viable margin for permanent redistributive reforms? What is the magnitude of productive employment in public services required effectively to satisfy the basic needs of individuals and of the community? Who are the actors in the necessary processes of change?

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