

# CEPAL

## Review

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#### Notes and explanation of symbols

The following symbols are used in tables in the *Review*:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise specified.

A point (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.

Use of a hyphen (-) between years, e.g., 1971-1973, indicates reference to the complete number of calendar years involved, including the beginning and end years.

Reference to "tons" mean metric tons, and to "dollars", United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual rates of growth or variation signify compound annual rates.

Individual figures and percentages in tables do not necessarily add up to corresponding totals, because of rounding.

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# CEPAL

## Review

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# The magnitude of poverty in Latin America

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In the last two decades, Latin America has gone through two opposite phases: the 1970s, which was a period of economic growth for most of the countries, and the 1980s, when the crisis seriously depressed the standard of living of broad sectors of the population. In order to appraise and interpret these changes properly, however, it is necessary to have at hand indicators which, individually or together, give an idea of the various dimensions of the social situation and the way they have evolved.

In order to help fill this need, the present article gives figures on the magnitude of poverty in Latin America in the years around 1980 and 1986, estimated according to the "poverty line" method. This study covers 10 countries representing approximately 85% of the population and 91% of the product of the region: Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico, Panama, Peru, Uruguay and Venezuela. The poverty figures were then extrapolated to a group of 19 countries of the region and projected to the year 1989.

The overall results of the study show that at the end of the 1980s, 37% of the households of Latin America were in a situation of poverty and 17% of them were in a state of indigence. The latter figure means that—even if they spent their entire income on food—one household in six was unable to cover the nutritional needs of its members. The results also indicate that there were nearly 183 million poor persons (71 million more than in 1970), of whom some 88 million were indigent (an increase of nearly 28 million over the figure estimated by ECLAC for 1970). One of the most striking features of this comparison is that—in contrast with the situation at the beginning of the 1970s—poverty in Latin America is now mostly an urban phenomenon, both because of the big expansion of the main cities and the fact that the increase in poverty indexes has been concentrated in the urban areas, especially during the period of the crisis.

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## Introduction

The economic crisis which affected the countries of Latin America in the 1980s not only highlighted the structural shortcomings which have characterized the region's development but also aggravated many of the existing social problems, giving rise to fresh obstacles to social mobility and cohesiveness. This has made it even more urgent to develop strategies which will make it possible to return to the path of sustained economic growth while at the same time orienting development towards the goal of social equity: tasks which, in turn, call for a fuller knowledge of the size and characteristics of that sector of the population which is living in conditions of marginality and critical deprivation.

To this end, the ECLAC Statistics and Projections Division carried out a study on the dimension of poverty in the Latin American countries, as part of the Regional Project for Overcoming Poverty (RLA/86/004) of the United Nations Development Programme (UNDP) and with financial assistance from the United Nations Population Fund (UNFPA). This study (ECLAC, 1990) is part of the line of research begun in the mid-1970s, aimed not only at determining the magnitude of the phenomenon but also at helping to develop methodologies to identify the households in a state of poverty and to describe their characteristics, thus providing useful information for the design of policies to overcome these problems.<sup>1</sup>

This article aims to give some of the results of this study, especially regarding the magnitude of poverty in Latin America in the 1980s, and to provide a brief description of the methods used.<sup>2</sup> It should be borne in mind that the present article is a summary: that is to say, it is constantly referring—explicitly or not—to the original

<sup>1</sup>In addition to the authors of this article, the main participants in the project were María de la Luz Avendaño, Mabel Bullemore and Carlos Daroch (all of the ECLAC Statistics and Projections Division) and the consultant Jorge Carvajal.

<sup>2</sup>Full details of the procedures adopted in each country and each phase of the research are given in a number of supporting studies carried out under the project. For a detailed list of these studies, see ECLAC, 1990.

study. Thus, many of the detailed descriptions in that study —especially those dealing with the methods used for the various estimates— are abridged or omitted.

The countries covered by the study are Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico, Panama, Peru, Uruguay and Venezuela. In most cases, the poverty measurement refers to the years 1980 and 1986 and is effected basically in accordance with a procedure —already widely used in the region— involving the comparison of the income of households with the cost of satisfying their basic needs.<sup>3</sup> This method consists of calculating the "poverty lines", which represent the minimum income that would permit a household —at a given time and place— to satisfy the basic food and non-food requirements of its members.

The many theoretical aspects of a study of this type, depending on the conceptual framework of measurements of absolute poverty and also on the consequences of the methodology adopted in order to analyse the living conditions of households and define poverty situations, have already been dealt with at length in a number of studies, especially the ECLAC study (Altimir, 1979) dealing with the situation in 1970 (henceforth referred to as the "ECLAC-70" study).

For the proper interpretation of the results on the magnitude of poverty presented here, and especially in order to grasp the significance of their evolution between 1980 and 1986, it is necessary to bear in mind the criteria which guided the selection of the reference years.

Generally speaking, it was sought to make the most up-to-date measurements possible with the limited information available, and in most cases this permitted the preparation of estimates for 1986 or, in the case of two other countries, one year later. At the same time, a year around 1980 was selected in order to appreciate the effect of the crisis on poverty levels and also appraise the magnitude of the changes which had taken place in the 1970s: thus, the criterion was to select the year nearest to 1980 (before the crisis) in which the country in question showed the best results. Now, the fact that the last year for which information is available in the 1980s corresponded to different points of evolution of the various countries within their overall performance in the crisis period naturally affects the magnitude of poverty detected by our measurements, for the quantification method we used is based fundamentally on the current income of households, and this of course varied significantly during the 1980s.

Chapter I gives a brief description of the way in which the basic food shopping baskets were defined and the values of the poverty lines were determined. It also describes the criteria used to correct and adjust the household income data. Chapter II gives figures on the magnitude of poverty and indigence in 1980 and 1986 in the 10 countries studied, with some comments on their scope. This chapter also includes an extrapolation of these poverty figures to 19 countries of the region and their projection to 1989, and finally these results are compared with similar estimates made in ECLAC for 1970.

## I

### Poverty lines and household income

The determination of poverty lines for comparison with the current income of households in order to estimate the degree of poverty is based on the calculation of the cost of a

basic food basket whose composition is such as to cover the nutritional requirements of the population, bearing in mind the prevailing consumption patterns and the effective availability and relative prices of food in each country. The resulting cost is known as the "indigence line". The poverty line, for its part, is determined by adding to that cost the amount required by households to satisfy their total non-

<sup>3</sup> Although this aspect is not dealt with in the present article, the study made some advances in certain methodological respects which have made it possible to improve some of these poverty measurements and also give them a more periodic nature.

food needs. We will now briefly describe, in a general manner, the procedures used to define the basic food baskets, to determine the poverty lines, and to estimate income levels.

### 1. *Basic food baskets*

The starting point for the definition of the basic food baskets used in this study was the selection, for each country and geographical area, of a population stratum whose consumption pattern is to be taken as a point of reference. The corresponding information was obtained from household income and expenditure surveys carried out in the various countries in recent years.<sup>4</sup> The procedure for selecting the reference group was broadly as follows: first of all, the total number of families surveyed were classified according to their per capita income, after which the location of the reference stratum in this income scale and the size of that stratum were determined in line with two general criteria: firstly, that the consumption habits of that group must not reflect decisions taken by those households in a context of extreme penury, and secondly, that the group must be big enough for its expenditure pattern to be considered representative. For this purpose, the effective calorie and protein intakes of different household strata were determined, and the reference group selected was that which was not only representative but also slightly exceeded, on average, the minimum recommended nutritional requirements. Thus, the lowest-income households were never selected as a reference stratum: instead, the strata selected were generally located between income distribution percentiles 20 and 50, except in the case of Argentina (Greater Buenos Aires) and Uruguay (Montevideo), where they were between percentiles 11 and 35, and the non-metropolitan urban areas of Guatemala (between percentiles 50 and 83).

<sup>4</sup>In the case of Brazil, the data from the 1987-1988 survey were not available, so the shopping baskets were determined on the basis of the 1974-1975 National Family Expenditure Study, while in Costa Rica the data from the 1988 survey were not available, so that the shopping basket was based on data from the ECLAC-70 study.

The foodstuffs selected were those that accounted for a significant proportion of spending on food or were consumed by a high proportion of households. This selection also included spending on food and drink outside the home.

The physical amounts of food corresponding to the expenditure declared by the households were estimated on the basis of the prices registered by the national statistical offices for the calculation of the respective consumer price indexes (CPI) and were expressed as grams/day per person. The amounts of calories and nutrients corresponding to these physical amounts were then determined from the coefficients of the nutritional content of the foodstuffs in question, using the tables best fitted to the variety of products consumed in each country.

Some articles were excluded from the consumption pattern of the reference stratum because of their high price per calorie, their low incidence in food spending, or the fact that they were not really essential from the strictly nutritional point of view or as culinary supplements. These exclusions were made mainly in order to define a basic shopping basket whose composition not only reflects the consumption habits of the population but also reduces to the minimum the excessive increase in the cost of the diet caused by the effort to arrive at an average of the many different consumption patterns of the various households making up a given reference group.

The structure and composition of the resulting basket were evaluated in the light of the global profile of the food supply and demand of the country in question, comparing them for this purpose not only with the average consumption pattern of the total number of households, as obtained from the family budget survey, but also with the information on the aggregate food supply taken from the food balance sheets for the three-year period 1981-1983 prepared by the United Nations Food and Agriculture Organization (FAO).

Finally, the physical amounts of all the articles in the shopping basket were proportionally adjusted to make their overall calorie content coincide exactly with the average energy needs of the population of the respective country and

geographical area. For this purpose, the nutritional requirements of the population of these countries were estimated on the basis of the international recommendations in force as from the 1981 FAO/WHO/UNU Joint Consultative Expert Meeting (FAO/WHO/UNU, 1985). In particular, account was taken in the calculation of the average energy and protein needs not only of the socio-demographic structure of the urban and rural areas of each country but also of the many different nutritional requirements deriving from the wide range of physical sizes and types of physical activity of the members of the population. In this respect, the present study modified the view of a single adult type usually taken in previous recommendations (FAO/WHO, 1973).<sup>5</sup>

Table 1 shows the basic shopping baskets, according to the groups of foodstuffs they contain, while table 2 gives some indicators of their nutritional quality. These latter indicators were calculated because the baskets must not only satisfy given total calorie and protein requirements but must also meet certain dietetic standards. Thus, in deciding on the contents of the baskets special attention was paid to considerations of the origin of the calories by type of nutrient and the quality of the proteins. Hence, an acceptable diet was considered to be one with an average of at least 10% of calories from proteins and between 15% and 25% from fats. It was also sought to ensure that cereals and pulses did not account for more than 60% of the total calories in the diet. With regard to protein quality, it was considered necessary that at least 35% of the proteins should be of animal origin. At the same time, while fully recognizing that the parameters of the energy/protein balance are the main indexes of diet quality, the priority given to these parameters obviously does not mean ignoring the value of all the other nutrients in a proper diet. Consequently, the basic baskets were also evaluated for their content of calcium, iron, vitamin A, thiamine, riboflavin, niacin and vitamin C, and it was found that in general they met the minimum levels established for each of these nutrients.

<sup>5</sup>With regard to energy needs, the estimates for the years around 1980 were between 5% and 7% lower than those used in the ECLAC-70 study. A detailed description of these calculations may be found in ECLAC, 1988.

Finally, in determining the monetary cost of the food baskets the consumer prices recorded for each article for the calculation of the CPI were used. Food consumption outside the home was excluded, or, rather, it was assimilated to the structure and prices per calorie observed for consumption within the home.<sup>6</sup>

In short, it may be considered that the proposed baskets, though based on observation of the effective food consumption of representative population strata of each country, are really of a normative nature, since they do not reproduce exactly the level and structure of the food consumption of those strata. As already noted, the diets in question were adjusted to certain minimum energy and protein requirements, they were adapted to the domestic availability of food, and they were also modified by replacing or eliminating some goods in view of their cost or their non-essential nature, although this does not mean that they were necessarily the baskets with the lowest possible cost.

## 2. Poverty lines

The procedure followed in determining the poverty lines consisted in establishing, on the basis of the basic food budgets (or indigence lines), normative relations between spending on food and other consumption expenditure.<sup>7</sup> For this purpose, a detailed analysis was made of the level and structure of the monetary expenditure of households of different income groups, and especially of the distribution of expenditure between food and non-food goods, above all in the population stratum of interest to us.

On the basis of the values observed, it was considered appropriate, in the case of urban areas, to adopt a private consumption budget (poverty line) equal to twice the basic food

<sup>6</sup>The cost of the diet was also expressed in terms of the cost per 1 000 Kcal, this being an appropriate unit for determining the cost of food per person or per household, taking account in the latter case of the specific calorie needs of each of its members. This value, which represents a measurement of the cost of satisfying food needs in line with an adult-equivalent concept, made it possible to carry out other calculations of the magnitude of poverty on the basis of the calorie requirements of each household (ECLAC, 1990).

<sup>7</sup>For an analysis of the conceptual implications of this procedure, see ECLAC, 1990.

Table 1

## LATIN AMERICA (TEN COUNTRIES): BASIC FOOD BASKETS

(Grammes per day per person)

Type of food	Argentina	Brazil <sup>a</sup>		Colombia		Costa Rica	Guatemala			Mexico		Panama	Peru	Uruguay	Venezuela
	Greater Buenos Aires	Rio de Janeiro M. A. <sup>b</sup>	São Paulo M.A. <sup>b</sup>	Bogotá D.E.	Other urban areas	San José	Central urban area	Other urban areas	Rural areas	Urban areas	Rural areas	Panama City	Metropolitan Lima	Montevideo	Caracas M.A. <sup>b</sup>
Cereals and products thereof	279.7	278.0	276.7	244.6	249.0	305.2	331.2	331.1	341.5	345.2	349.4	305.0	283.7	309.7	276.7
Roots and tubers	176.1	75.4	81.8	185.4	169.6	64.5	63.9	52.8	41.1	47.3	26.3	62.8	184.2	143.7	90.5
Sugar	44.2	82.4	106.1	76.4	80.5	59.7	72.5	66.3	68.4	55.5	68.7	43.0	70.4	50.7	46.1
Pulses	6.6	65.1	62.4	28.7	24.8	25.7	39.1	50.7	55.4	45.4	44.5	23.1	11.6	4.3	16.7
Vegetables	81.4	107.3	96.9	73.8	64.0	60.5	88.5	57.6	49.2	89.1	62.4	50.7	62.1	43.1	81.7
Fruit	107.1	92.4	68.0	165.8	165.6	113.8	139.3	93.9	72.6	109.7	91.3	98.5	116.6	95.1	159.9
Meat	181.6	100.7	76.4	112.7	113.9	110.5	107.6	88.2	79.2	116.7	99.8	121.4	107.9	143.4	135.5
Fish and shellfish	6.7	20.7	18.2	8.3	5.5	5.2	8.2	10.3	10.7	7.0	7.5	20.5	19.1	5.1	14.4
Milk and dairy products	226.5	140.7	106.0	185.3	178.5	142.8	144.0	123.7	105.9	185.6	133.3	151.2	137.8	294.9	193.1
Eggs	23.3	22.2	14.0	30.1	20.0	19.2	35.3	29.7	21.0	46.0	35.5	16.2	18.2	10.9	17.2
Beverages	113.3	34.8	25.1	113.6	77.9	86.3	78.2	62.9	54.7	95.2	74.3	104.1	77.0	89.0	116.7
Oils and fats	30.7	35.3	31.6	23.8	25.2	20.5	19.0	14.2	11.2	27.5	25.1	27.9	20.1	23.6	19.4
Total	1 277.3	1 055.1	963.0	1 248.4	1 174.6	1 014.1	1 126.6	981.5	910.8	1 170.3	1 018.2	1 024.5	1 108.8	1 213.5	1 168.1

Source: ECLAC estimates on the basis of special tabulations of household income and expenditure surveys.

<sup>a</sup>The basic food baskets for the various regions of Brazil are given in Annex B.1 of the ECLAC document "Magnitud de la pobreza en América Latina en los años ochenta", LC/L.533, Santiago, Chile, June 1990.<sup>b</sup>M.A. = Metropolitan Area.



Table 2  
LATIN AMERICA (TEN COUNTRIES): NUTRITIONAL BREAKDOWN  
OF BASIC FOOD BASKETS

Country	Amount of:		Calories from:			Animal proteins
	Calories (kcal/day per person)	Proteins (grs/day per person)	Proteins	Fats (percentages)	Cereals and pulses (percentages)	
Argentina						
Greater Buenos Aires	2 211	79.0	14.3	-	42.2	55.5
Brazil <sup>a</sup>						
Rio de Janeiro M.A. <sup>b</sup>	2 214	71.0	12.8	23.6	49.8	43.9
São Paulo M.A. <sup>b</sup>	2 152	66.2	12.3	25.7	50.3	42.0
Colombia						
Bogotá D.E.	2 151	65.7	12.2	23.1	41.0	48.4
Other urban areas	2 151	63.2	11.7	22.5	42.6	49.9
Costa Rica						
San José	2 167	69.9	12.9	24.5	51.2	40.7
Guatemala						
Central urban area	2 135	64.4	12.1	24.6	53.8	45.3
Other urban areas	2 135	63.6	11.9	22.0	61.5	40.2
Rural areas	2 150	62.6	11.7	19.7	66.3	36.0
Mexico						
Urban areas	2 125	65.3	12.3	28.7	51.1	46.9
Rural areas	2 165	60.8	11.2	25.9	56.6	40.1
Panama						
Panama City	2 138	69.3	13.0	23.2	53.2	51.2
Peru						
Metropolitan Lima	2 154	70.1	13.0	19.8	47.2	50.0
Uruguay						
Montevideo	2 152	73.5	13.7	-	47.0	51.8
Venezuela						
Caracas M.A. <sup>b</sup>	2 140	70.2	13.1	19.2	48.0	54.2

Source: ECLAC estimates on the basis of special tabulations of household income and expenditure surveys.

<sup>a</sup>A nutritional breakdown of the basic food baskets for the various regions of Brazil is given in Annex B.4 of the ECLAC document

"Magnitud de la pobreza en América Latina en los años ochenta", LC/L.533, Santiago, Chile, June 1990.

<sup>b</sup>M.A. = Metropolitan Area.

budget.<sup>8</sup> In the case of rural areas, however, it was assumed that food expenditure was close to 57% of total expenditure, so that the rural poverty line was obtained by multiplying the basic food expenditure by a coefficient of 1.75. Both these criteria coincide with those used for the same purpose in the ECLAC-70 study.

These coefficients were applied uniformly to obtain the poverty lines for urban and rural

areas. Where information was not available on the structure of the food expenditure of households or the prices of foodstuffs in all areas of the country, however, it was necessary to make assumptions on the composition and cost of the food baskets. Briefly, it was assumed that food costs in non-metropolitan urban areas and in rural areas were equal to 95% and 75% respectively of the corresponding cost in metropolitan areas or in the capital. Table 3 gives the values of the poverty lines resulting from the application of these criteria, in national currency and U.S. dollars.

It should be noted that in this method of estimating poverty lines the determination of

<sup>8</sup>The uniform application of this rule may lead to some under-estimation (or over-estimation) of the magnitude of poverty in countries and areas of greater (or lesser) relative development, where the food expenditure coefficient for the income levels in question is less or greater than 50%.

Table 3

**LATIN AMERICA (TEN COUNTRIES): POVERTY AND INDIGENCE LINES, PER CAPITA  
MONTHLY BUDGETS IN NATIONAL CURRENCY AND U.S. DOLLARS**

*(At prices of the second half of 1988)*

Country <sup>a</sup>	National currency		U.S. dollars <sup>b</sup>	
	Poverty line	Indigence line	Poverty line	Indigence line
<b>Argentina</b>				
Greater Buenos Aires	761.4	380.7	63.1	31.5
Other urban areas	723.3	361.7	59.9	30.0
Rural areas	499.7	285.5	41.4	23.6
<b>Brazil</b>				
Metropolitan Area <sup>c</sup>	22 958.2	11 479.1	57.0	28.5
Other urban areas	20 181.9	10 091.0	50.1	25.0
Rural areas				
<b>Colombia</b>				
Bogotá D.E.	18 464.0	9 232.0	58.1	29.0
Other urban areas	16 954.6	8 477.3	53.3	26.7
Rural areas	12 117.0	6 924.0	38.1	21.8
<b>Costa Rica</b>				
San José	4 098.0	2 049.0	52.7	26.3
Other urban areas	3 893.1	1 946.6	50.1	25.0
Rural areas	2 689.3	1 536.8	34.6	19.8
<b>Guatemala</b>				
Central urban area	140.3	70.2	51.9	26.0
Other urban areas	113.4	56.7	41.9	21.0
Rural areas	84.4	48.2	31.2	17.8
<b>Mexico</b>				
Urban areas	120 827.1	60 413.5	53.0	26.5
Rural areas	88 135.0	50 362.9	38.6	22.1
<b>Panama</b>				
Panama City	67.6	33.8	67.6	33.8
Other urban areas	64.2	32.1	64.2	32.1
Rural areas	44.4	25.4	44.4	25.4
<b>Peru</b>				
Metropolitan Lima	12 031.0	6 015.5	53.6	26.8
Other urban areas	11 429.4	5 714.7	50.9	25.4
Rural areas	7 895.3	4 511.6	35.1	20.1
<b>Uruguay</b>				
Montevideo	20 674.1	10 337.0	51.5	25.8
Other urban areas	19 640.4	9 820.2	49.0	24.5
Rural areas	13 567.4	7 752.8	33.8	19.3
<b>Venezuela</b>				
Caracas Metropolitan Area	1 906.4	953.2	70.6	35.3
Other urban areas	1 811.1	905.6	67.1	33.5
Rural areas	1 251.1	714.9	46.3	26.5

Source: ECLAC estimates.

<sup>a</sup>For each country, data are given only for those cities or geographical areas for which it was possible to make a detailed estimate of the basic food basket and its cost (the indigence line).

<sup>b</sup>The exchange rate used was the "rf" series (average for the second half of 1988) published in the International Monetary Fund's *International Financial Statistics*. In the case of Venezuela, the exchange rate prevailing in February 1989 was used.

<sup>c</sup>Weighted average of the estimated budgets for São Paulo and Rio de Janeiro.

the cost of satisfying basic food requirements is more soundly based than when methods relying on the relative estimation of non-food needs are used, for the food requirements are calculated in accordance with generally accepted norms that specify certain minimum levels or degrees of adequacy of the diet, explicitly stating not only the cost of meeting those requirements but also the goods needed to satisfy them and the characteristics of those goods. In contrast, although the non-food requirements could also be made subject to given norms they are estimated indirectly, that is to say, on the basis of the proportion represented by spending on food in the total household expenditure. Thus, in addition to the fact that their cost is established indirectly, the goods needed to satisfy them are not specified. Since, moreover, the cost of satisfying them varies significantly over the different stages in the cycle of family life (depending on the size and composition of the household), as well as varying as a function of such factors as the accumulated wealth of the family and the degree of access to public services, it is very necessary to carry out a detailed analysis of these items of expenditure so as to be able to define specific coefficients for different types of households, just as in the case of food.<sup>9</sup>

### 3. Household income

After the basic food budgets and the corresponding poverty lines had been determined, the total disposable income of the households was then calculated so that it could be compared with the cost of satisfying the basic needs. The main source of information in this respect was the multi-purpose household surveys carried out regularly by the countries.

<sup>9</sup>Analysis of the 1984-1985 income and expenditure survey for Colombia, for example, reveals that households of similar income levels but different compositions show significant differences as regards the main items in non-food expenditure. Thus, the group of households in Bogotá, Cali and Medellín, which made up the second quartile in per capita expenditure, displayed significant differences as regards the proportion of expenditure devoted to transport, education, health and housing. It may be noted, in this respect, that households consisting of young childless couples devoted an average of 20% of their expenditure to housing, whereas in the case of older couples with two children the corresponding proportion was 15%.

The income data provided by these surveys, however, tend to be affected by problems due to the partial nature of the concept of income investigated, the fact that people usually declare incomes lower than those they really receive, the restricted geographical coverage, and also factors and contingencies connected with theoretical and practical aspects of the sample design, all of which affects the quality and precision of the estimates. For these reasons, before making the poverty measurements we corrected and adjusted the amounts of income recorded by the surveys, using as a quantitative reference pattern the entries in the "household income and expenditure" account of the System of National Accounts.<sup>10</sup>

In general terms, the method used to adjust the incomes recorded by the household surveys consisted of imputing to each income type or flow investigated the discrepancies observed between the declared income and the corresponding concept registered in the national accounts. This imputation was effected on the basis of the following assumptions: that the under-declaration of income in the surveys is associated more with the type of income than its size; that the undeclared amount for each type of income is equal to the discrepancy between the income shown in the survey and the corresponding estimate in the national accounts; and that the under-declaration of each type of income generally follows a single elasticity pattern, except in the case of cash income from property, which is assumed to be concentrated in the highest quintile of the income distribution (Altimir, 1987).

The different types of income —both those recorded by the surveys and those taken from the national accounts— were expressed in per capita values, and the comparison of the two averages made it possible to define adjustment coefficients for each source of income. The amounts corresponding to income flows not covered by the surveys were also calculated.

In the few cases where the amount of some type of income estimated by the surveys was on average higher than the figures given by the

<sup>10</sup>See in particular ECLAC, 1989.

national accounts, no adjustment was made for this concept. On the other hand, both wages and salaries and business profits, all broken down into agricultural and non-agricultural, were adjusted in proportion to the levels declared by their recipients. A similar criterion was applied to the under-estimation of transfers, with the exception that in cases where only primary income was received, the imputation was applied to non-economically-active persons belonging to the category of pensioners and

retirees. Likewise, the adjustment for under-estimation of cash income from property was assigned proportionately to all those in the highest-income 20% of households who declared that they received such income. Finally, the non-registration or under-estimation of imputed rent was distributed in proportion to the total income —already adjusted for all the other concepts— of those households which declared that they owned the dwellings they lived in.<sup>11</sup>

## II

### The magnitude and evolution of poverty

The poverty lines, together with the suitably corrected estimates of per capita income of the households, made it possible to determine the magnitude of poverty and indigence in the years around 1980 and 1986.<sup>12</sup> Before presenting these results, however, it is necessary to make a few general observations on their significance and scope.

#### 1. *Prior observations*

The first point to be made is that the quality of the information on which the poverty estimates presented below are based is not consistent: it varies from one country to another and, above all, from one geographical area of a country to another. In general, it may be said that the measurements for metropolitan areas are more precise than those for the other urban areas and rural areas, since they are derived from more

abundant and reliable data. Thus, for example, in preparing the food budgets we had more information on the main cities than on the other areas of the countries, both as regards household income and expenditure and as regards the prices of the articles included in the basic food baskets. Moreover, it is well known that household surveys more accurately reflect the situation of the urban population than that of rural dwellers, especially as regards the measurement of income. Consequently, the figures on rural poverty given in this article should be considered rather as indications of orders of magnitude. Indeed, both in the cases of the other urban areas and the rural areas of Argentina and the rural areas of Uruguay, the estimates are of a purely conjectural nature. The same is true of the rural areas of Colombia and the other urban areas and the rural areas of Peru in the years around 1980. These estimates are therefore presented merely in order to give a national-level view of the various countries for inclusion in the international comparisons.

Secondly, the fact that the calculation of the cost of satisfying food requirements relies more heavily on normative and empirical factors than in the case of the calculation of the cost of other basic needs means that estimates of poverty, as distinct from those of indigence, depend on the degree of appropriateness, in each particular case, of the coefficients used to set the poverty lines, that is to say, 2 for urban areas and 1.75 for rural zones.

<sup>11</sup> Annex E of ECLAC 1990 gives estimates of the income distribution by deciles of households, classified according to their total per capita income, in the various countries around 1986.

<sup>12</sup> In all cases, these measurements were carried out on the basis of the per capita income of the households, and not the expenditure. It was decided to use this procedure because in most of the countries of the region the data on expenditure were limited to the metropolitan areas or capital cities. Moreover, the fact that this information is normally collected only once every ten years prevents more frequent measurement of poverty on the basis of household expenditure, but it is possible to make these measurements on the basis of the data on income provided by the multi-purpose surveys which most countries carry out at regular intervals.

Thirdly, while it is true that the poverty phenomenon depends essentially on structural characteristics of the countries—which means that its magnitude changes relatively slowly with time—the method used to calculate that magnitude is by its very nature rather sensitive to conjunctural circumstances which involve significant changes in the income levels of households. Consequently, the results must be examined with due attention both to the years to which the figures refer in each country and, above all, to the particular phase that the countries were passing through within the recessionary cycle that affected Latin America from the early 1980s. Special care should therefore be exercised when drawing conclusions on the evolution of the magnitude of poverty and the relative performance of the countries in this respect.

Within the same order of ideas, it should be mentioned that the sensitivity of these poverty measurements to variations in the income level also depends on the income distribution profile and the distance of the indigence and poverty lines from the mean values of that distribution. Thus, a country where a high proportion of the households receive incomes close to the value of those lines will display substantial fluctuations in the magnitude of indigence and poverty as a result of even quite small changes in income.<sup>13</sup>

Finally, the existence of poverty and indigence lines makes it possible to break down the whole of the poor households into two sub-groups: indigent and non-indigent. With regard to the first-named, they may be described as households whose members very probably do not satisfy any of their basic needs in full. On the other hand, it is not necessarily true that all the households in the non-indigent sub-group satisfy their food requirements properly either, since although their income is higher than the basic food budget they must devote part of it to satisfying their other needs.

<sup>13</sup>This feature, which is typical of the method adopted here, means that it is also desirable to measure poverty at relatively frequent intervals (annually or six-monthly), since such measurements will make it possible to use this synthetic index for regular evaluation of changes in the living conditions of the population.

## 2. The results for 1980 and 1986

If we look at the percentage incidences of poverty and indigence shown in table 4 for the years around 1980 and 1986, we immediately note that there is a wide variety of situations. On the one hand, there are Argentina and Uruguay, which have the lowest percentages of poverty in the region: less than one in six households in these countries were poor at the times in question. At the other extreme are Guatemala and Peru: in the first-named of these countries nearly two-thirds of the households were poor, while in Peru nearly half the households were in this state. Between these two extremes there are two groups of countries where poverty affects between 20% and 40% of the households. The first group, where the incidence of poverty is nearer 20%, comprises Costa Rica, Venezuela and Mexico, while the second group, where the incidence is nearer 40%, comprises Panama, Colombia and Brazil.

Similarly, the proportion of indigent households varies substantially from one country to another, from around 5% in Argentina and Uruguay to levels of over 20% and even 30% in Peru and Guatemala, respectively. The remaining countries fall somewhere between these extreme values, as in the case of the poverty indexes. It should be noted that the changes which took place between 1980 and 1986 did not alter the positions initially occupied by the countries in the poverty scale.

Comparison of subnational geographical areas also brings out the pronounced disparities in the levels of well-being of the population within each country: the lowest percentages of poverty correspond to the urban areas and, within these, to the main cities or metropolitan areas, while the highest rates are observed in rural areas. These differences vary considerably from one country to another, however, reflecting the different degrees of internal heterogeneity in the levels of income of the population. Thus, for example, if we compare the situations of Brazil and Colombia in this respect, we see that although both these countries display similar levels of urban poverty, equal in each case to one-third of the households, rural poverty in Brazil is almost 30% higher than urban poverty, whereas in Colombia the difference is less than 10

Table 4

## LATIN AMERICA (TEN COUNTRIES): HOUSEHOLDS IN A SITUATION OF POVERTY OR INDIGENCE

Country/year	Percentage of households below the poverty line					Percentage of households below the indigence line				
	Metro-politan Area	Other urban areas	Total urban areas	Rural areas	Whole country	Metro-politan Area	Other urban areas	Total urban areas	Rural areas	Whole country
Argentina										
1980	5	9	7	16	9	1	2	2	4	2
1986	9	15	12	17	13	3	4	3	6	4
Brazil										
1979	21 <sup>a</sup>	34	30	62	39	6 <sup>a</sup>	12	10	35	17
1987	24 <sup>a</sup>	37	34	60	40	8 <sup>a</sup>	16	13	34	18
Colombia										
1980	30	37	36	45	39	10	14	13	22	16
1986	31	37	36	42	38	11	16	15	22	17
Costa Rica										
1981	15	17	16	28	22	5	6	5	8	6
1988	19	22	21	28	25	5	6	6	10	8
Guatemala										
1980	26	52	41	79	65	5	19	13	44	33
1986	45	59	54	75	68	20	31	28	53	43
Mexico										
1977	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	32	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	10
1984	<sup>c</sup>	<sup>c</sup>	23	43	30	<sup>c</sup>	<sup>c</sup>	6	19	10
Panama										
1979	27	42	31	45	36	12	19	14	27	19
1986	27	41	30	43	34	11	19	13	22	16
Peru										
1980	29	41	35	65	46	9	15	12	37	21
1986	37	53	45	64	52	11	22	16	39	25
Uruguay										
1981	6	13	9	21	11	1	3	2	7	3
1986	9	19	14	23	15	2	4	3	8	3
Venezuela										
1981	12	20	18	35	22	3	6	5	15	7
1986	16	28	25	34	27	4	9	8	14	9

Source: ECLAC estimates on the basis of special tabulations from household surveys.

<sup>a</sup>Weighted average of the estimates for the metropolitan areas of Rio de Janeiro and São Paulo.

<sup>b</sup>Only national-level data were available.

<sup>c</sup>The household survey used for the estimates is not representative for the Federal District.

percentage points. Guatemala and Peru stand in a similar relationship, although with higher levels of poverty. At the same time, it should be borne in mind that these two nations, together with Costa Rica, are the countries with the highest proportion of rural population.

The foregoing considerations are important from a quantitative point of view, since the national poverty indexes are calculated as a weighted average of the indexes of the various geographical areas and are therefore influenced not only by the incidence of poverty in each of these but also by the relative importance of these areas in the total population of the country. Comparison of the figures for Costa Rica and Venezuela shows the effect of these urban-rural differences (table 4). In 1988, 21% of Costa Rica's urban households and 28% of its rural ones were under the poverty line, while the corresponding figures for Venezuela in 1986 were 25% and 34% respectively. This difference which apparently favours Costa Rica is minimized at the national level, however, with Costa Rica registering a global poverty rate of 25% and Venezuela one of 27%, because in the year in question the rural population constituted 54% of the total in the first-named country as against only 20% in the latter.

Although this article does not give a detailed description of the incidence of poverty in individual terms, the fact that poor households generally each have a larger number of members than households which are not poor means that—for a given number of households—the proportion of poor people is greater than that of people who are not in this situation. Thus, in the years around 1980 and 1986, in urban areas the poverty indexes in terms of numbers of persons were between 3% and 7% higher than the indexes in terms of households, while they were between 3% and 9% higher in rural areas.

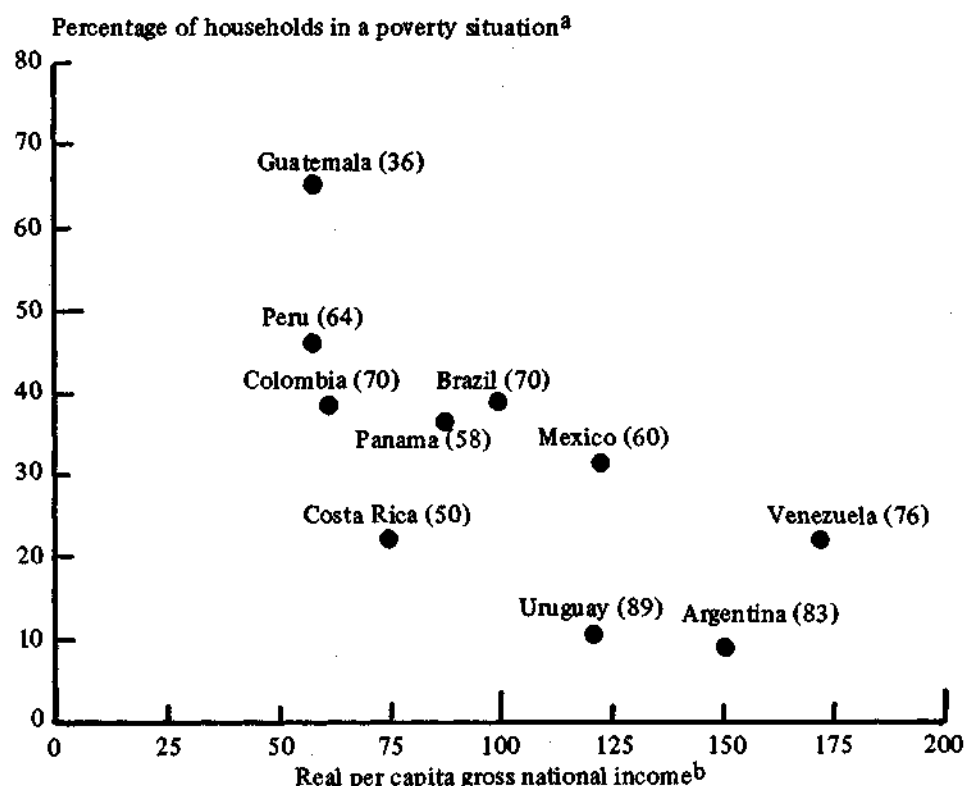
With regard to the evolution of poverty in the 1980s, it should be borne in mind that even though the period covered by this study includes several years when there were severe drops in income, it cannot be assumed that it always reflects the whole dimension of the crisis in all the countries. Thus, in only five of the 10 countries covered did the last year estimated coincide with the year in which the product reached its lowest point: this was so, for

example, in Venezuela and Guatemala in 1986 and, partially, in Argentina (1986), Peru (1985) and Uruguay (1986). It should come as no surprise, then, that it is precisely these countries which show the biggest increases in the incidence of poverty, both at the national level (between four and six percentage points) and, above all, in urban areas (between five and 13 points). These figures, together with the relatively slight increases of one to four points (and even some slight reductions) in rural poverty in this period, show that the crisis hit the urban areas hardest. The negative evolution of the main indicators of income levels and well-being of the population—especially the urban population—bear out this assertion. Thus, in 1986 the national per capita income in Argentina, Guatemala, Uruguay and Venezuela was approximately 20% lower than in 1980. In Peru, for its part, it was 13% lower in 1985, which was when that income reached its lowest level in the period. Likewise, the rates of open unemployment in urban areas in the first three of these countries increased steadily during this period, to the point that in 1986 they were almost double their 1980-1981 levels. In Peru, on the other hand, although there was no significant variation in unemployment between the beginning and end years, average wages fell by nearly 23% between 1980 and 1985.<sup>14</sup>

Costa Rica also registered an increase (of three percentage points) in the proportion of poor households, which were concentrated mainly in urban areas. It should be noted, however, that after the sharp drop suffered in 1982 as compared with 1981, income then tended to grow steadily up to about 1988 (although without regaining its levels of the late 1970s), so that the period over which poverty was measured (1981-1988) does not give a full idea of the impact of the crisis. The situation of Brazil is also similar in this respect: the drop in income took place between 1980 and 1983, subsequently recovering by 1987 to a level slightly higher than that of 1979. The increase of one percentage point (from 39% to 40%) in poverty at the national level was also concentrated in the urban and metropolitan

<sup>14</sup>See ECLAC, 1989.

Figure 1<sup>a</sup>  
 LATIN AMERICA (TEN COUNTRIES): RELATIONSHIP BETWEEN  
 MAGNITUDE OF POVERTY AND LEVEL OF INCOME, 1980



Source: ECLAC, Statistics and Projections Division.

<sup>a</sup>Percentage of urban households shown in brackets.

<sup>b</sup>Average for 19 Latin American countries = 100.

areas and was accompanied by a slight decline in rural poverty (from 62% to 60%). In this case, despite the recovery that the level of employment appeared to imply, the real minimum wage towards 1987 was still nearly 25% lower than in the starting year, 1979.

In Colombia, Mexico and Panama there was a decline in the incidence of poverty which is explained, in the cases of Colombia and Panama, by the reductions of two and three percentage points, respectively, in rural poverty, since during the period under analysis there were practically no changes in urban poverty in either of these countries or any significant declines in the product or in national income. In Panama, the per capita income in 1986 was 20% higher than that of 1979, while in Colombia in the same year it was 5% higher than in 1980, although

urban unemployment continued to be relatively high in both countries, with levels averaging between 10% and 13%. Finally, in Mexico, where data are only available for the whole country, poverty went down between 1977 and 1984 by two percentage points.

A global appraisal of these estimates, leads to the conclusion that they give an adequate idea of the structural dimension of poverty. It may be noted in this respect, for example, that there is a close relation between the percentages of poverty and their most direct determinants, namely the per capita income, the level of concentration of income distribution, and the degree of urbanization (Ahluwalia, 1976). Figure 1 illustrates some of these relations. Thus, it shows the high inverse correlation between the level of per capita gross national



Table 5  
LATIN AMERICA AND THE CARIBBEAN: ESTIMATES OF POVERTY AND INDIGENCE,  
1980 AND 1986

	Poverty				Indigence			
	1980		1986		1980		1986	
	Thousands	Percent-ages	Thousands	Percent-ages	Thousands	Percent-ages	Thousands	Percent-ages
	(Households)							
Ten countries <sup>a</sup>								
National	19 700	33	26 500	35	8 000	13	11 700	15
Urban	10 000	24	16 200	29	3 200	8	6 000	11
Rural	9 700	52	10 300	51	4 800	26	5 700	28
Latin America <sup>b</sup>								
National	24 200	35	32 100	37	10 400	15	14 600	17
Urban	11 800	25	18 700	30	4 100	9	7 000	11
Rural	12 400	54	13 400	53	6 300	28	7 600	30
	(Population)							
Ten countries <sup>a</sup>								
National	109 200	38	137 500	41	47 400	17	62 700	19
Urban	52 800	28	80 300	34	17 300	9	29 700	13
Rural	56 400	58	57 200	57	30 100	31	33 000	33
Latin America <sup>b</sup>								
National	135 900	41	170 200	43	62 400	19	81 400	21
Urban	62 900	30	94 400	36	22 500	11	35 800	14
Rural	73 000	60	75 800	60	39 900	33	45 600	36

Source: ECLAC estimates.

<sup>a</sup> Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico, Panama, Peru, Uruguay and Venezuela.

<sup>b</sup> In addition to the above 10 countries, includes Bolivia, Chile, the Dominican Republic, Ecuador, El Salvador, Haiti, Honduras, Nicaragua and Paraguay.

income—expressed as an index with regard to the average for Latin America—and the incidence of poverty in each of the countries around 1980. This figure also shows the percentages of the population living in urban areas in each country, which are in direct relation to the level of income and in inverse relation to the level of poverty.

In absolute terms, the number of poor people in the group of 10 countries studied, which amounted to 109 million in the years around 1980, rose to 137 million in the years around 1986: an increase of nearly 28 million.<sup>15</sup> At the same time, the rather urban bias of the impact of the crisis, to which we have already referred, substantially altered the distribution of

the population living in a state of poverty in each country. Whereas in 1980 48% of the poor (53 million persons) lived in urban areas, in 1986 the proportion had risen to 58% (80 million people). Moreover, as was to be expected, in both the years in question almost half the poor were in Brazil, while between 85% and 90% of the poor were from four of the 10 countries studied (Brazil, Colombia, Mexico and Peru) (table 5). The number of indigent persons, for its part, increased from 47 million in 1980 to 63 million in 1986, accounting for more than half of the total increase in the number of poor. Although poverty grew more in urban areas, however, it continued to be more acute in rural areas, where 55% of all the poor were indigent, compared with around 35% in urban areas.

In view of the undoubted interest aroused by the possibility of obtaining an aggregate estimate of poverty for the whole of the region,

<sup>15</sup> In order to make the necessary comparisons, these calculations were based on the population figures for the years 1980 and 1986.

and bearing in mind that the 10 countries already mentioned represent a high proportion of the regional population and product (85% and 91%, respectively), we proceeded to extrapolate the poverty figures for the first-named 10 countries to cover the group of 19 countries of the region. In addition to the first 10 countries, the other countries incorporated into the estimate were Bolivia, Chile, the Dominican Republic, Ecuador, El Salvador, Haiti, Honduras, Nicaragua and Paraguay. In this extrapolation we used as a reference regression equations relating the per capita gross domestic product in 1980 and 1986 with the percentages of poor and indigent households at the national and urban levels in the same years.<sup>16</sup> The rural poverty estimates were obtained residually on the basis of the population distribution by geographical areas. The results are also summarized in table 5.

If the levels of poverty obtained for the 19 countries (which come very close to representing the whole of the region) are compared with those for the first 10 countries, it will be observed that they are around two percentage points higher in both years. The reason for this increase, in spite of the modest weight of the population of the nine countries thus added in the regional total, is that their indexes of poverty were higher than the average for the first 10 countries. According to these extrapolations, in 1980 there were 135.9 million people (i.e., 41% of the regional total) living in a state of poverty in Latin America, and in 1986 the number had gone up to 170.2 million, or 43% of the total population. It may be noted that this increase of 34.3 million poor people was concentrated almost entirely in the urban areas, where the incidence of poverty rose from 30% to 36%. For their part, the changes in the number of people living in a state of indigence indirectly reveal the severity of the crisis in the first half of the 1980s, for of the above-mentioned total

increase of 34.3 million, 19 million (55%) correspond to the increase in the indigent population, both urban and rural.

### *3. The evolution of poverty in Latin America between 1970 and 1986 and its projection to the end of the 1980s*

In spite of some methodological differences between the two studies, the results of this analysis of the magnitude of poverty in 1980 and 1986 can be compared with those of the ECLAC-70 study.<sup>17</sup>

The figures for the countries and geographical areas where such a comparison is possible show that between 1970 and 1980 urban poverty went down in Brazil, Colombia, Uruguay and Venezuela by between one and five percentage points, while in Argentina, Costa Rica and Peru it went up by between one and seven points (table 6). With regard to rural areas, poverty went down in all the countries by between one and 11 percentage points. These figures are naturally national averages, which are also affected by the differences in population distribution between the two types of areas, since in this decade the process of urbanization continued, although at different rates in each country.

What happened between 1970 and 1986 was also in line with the evolution of the countries' income in the two sub-periods already mentioned (1970-1980 and 1980-1986). Thus, the countries which had the highest sustained growth rates in those years (Brazil and Colombia) were precisely those that showed the biggest reductions in poverty. The data on income distribution show that these two countries continued to figure among those with the highest degree of concentration in the region, which gives grounds for conjecturing that the improvement in their poverty indexes was due much more to higher levels of income than to significant advances towards greater equity.<sup>18</sup> It may also be recalled that in the 1980s Brazil and Colombia did not go through a period

<sup>16</sup>The equations were of the type:  $H = a + b(\ln GDP_{pc})$  where  $H$  = percentage of poverty (or indigence) and  $\ln GDP_{pc}$  = the natural logarithm of the per capita gross domestic product. The values of  $r^2$  were between 0.6 and 0.7. The poor and indigent population of the nine countries not included in the present study was obtained by applying to the population of each country the rates of poverty and indigence estimated through these equations. In the case of households, the calculations were based on data from the latest population censuses and also on the average family size ratios by poverty strata observed in similar countries.

<sup>17</sup>These differences mainly concern the procedure used for determining the basic food baskets. For a summary of these differences, see ECLAC, 1990 (Appendix).

<sup>18</sup>See, for example, ECLAC, 1986 and ECLAC, 1986b.

of such deep depression as most of the other countries. Likewise, the somewhat smaller reduction in poverty in Mexico—which has an intermediate level of income concentration in the region—may be explained not only by the big increase in income during the period but also by increases in the participation of households from the lowest income distribution strata. Indeed, there are indications that while on the one hand there was indeed a reduction in the degree of income concentration in Mexico between the late 1960s and the late 1970s, on the other hand the degree of concentration remained relatively unchanged from then until 1984 (Altimir, 1982).

Table 6 also shows that poverty increased between 1970 and 1986 in the other five countries, this increase being related with the fact that income fell more sharply in these countries during the crisis years. Argentina is undoubtedly the most extreme case in this respect: in this country poverty rose at the national level by five percentage points because of the marked drop in per capita income (15% compared with 1970) and the deterioration in income distribution.<sup>19</sup> In Costa Rica, Peru and Venezuela the increase in poverty was between one and two points, and the levels of per capita national income at the end of the survey period were practically the same as in 1970. Except in the case of Peru, these countries registered substantial rises in income in the 1970s, but they suffered equally sharp declines in the 1980s, presumably accompanied by an increase in income concentration. Much the same thing occurred in Uruguay with respect to urban poverty.

The figures for the 19 countries of the region clearly show the different ways in which poverty developed in the two decades under comparison. Thus, in the 1970s the percentage of poor households went down from 40% to 35%, while the proportion of indigent households fell from 19% to 15%. In the 1980s, however, this

tendency was reversed, with both poverty and indigence increasing by two percentage points. These values were likewise the result of the very different trends for urban and rural areas. Thus, the fact that the crisis had a relatively stronger effect on households in urban areas, together with the increase—in practically all the countries—in the weight of the urban population in the total, helps to explain why poverty went up in those areas by four percentage points (from 26% to 30%) between 1970 and the mid-1980s, even though it had actually gone down by one percentage point in the 1970s. In rural areas, in contrast (without of course overlooking the more conjectural nature of these estimates), there was a considerable drop in poverty in the 1970s (from 62% to 54%), followed by relative stability during the 1980s (table 6).

Furthermore, in order to obtain an estimate of what happened with regard to poverty in the 19 countries of the region in the whole of the 1970s and 1980s, a projection was made of the incidence of poverty in each country up to 1989. This was based both on the evolution of the per capita product and on other general indicators (open unemployment, average remuneration, minimum wages, percentage of the population living in rural areas, and product by sectors of economic activity) for the three-year period 1986-1989.

According to this projection, at the end of the 1980s 37% of the households in Latin America and the Caribbean were estimated to be living in conditions of poverty and 17% in a state of indigence (table 7). In urban areas, the respective figures were 31% and 12%, while in rural areas they were 54% and 31%. Compared with the values for 1970, these figures indicate a sharp rise in urban poverty (from 26% to 31%) and a likewise significant drop in rural poverty from 62% to 54%. Similar but smaller changes are estimated to have taken place with regard to indigence. As a result of the increase in both the population and the indexes of poverty, the projections indicate that at the end of the 1980s there would be nearly 183 million poor people in the region, i.e., 71 million more than in 1970. Of these, some 88 million were estimated to be indigent: an increase of nearly 28 million over the ECLAC estimate for the earlier year.

<sup>19</sup>Estimates of the distribution of the total income of households in Greater Buenos Aires indicate that the Gini concentration coefficient rose from 0.41 in 1970 to 0.44 in 1975 and 0.47 in 1980 (Altimir, 1986). In the present study, for its part, it is estimated that that coefficient—referring this time to the *per capita income* distribution of households—increased from 0.38 in 1980 to 0.41 in 1986.

Table 6  
LATIN AMERICA (SELECTED COUNTRIES): MAGNITUDE OF POVERTY AND INDIGENCE  
AROUND 1970, 1980 AND 1986

Country	Percentage of households below the poverty line									Percentage of households below the indigence line								
	Urban areas			Rural areas			Whole country			Urban areas			Rural areas			Whole country		
	1970	1980	1986	1970	1980	1986	1970	1980	1986	1970	1980	1986	1970	1980	1986	1970	1980	1986
Argentina	5	7	12	19	16	17	8	9	13	1	2	3	1	4	6	1	2	4
Brazil	35	30	34	73	62	60	49	39	40	15	10	13	42	35	34	25	17	18
Colombia	38	36	36	54	45	42	45	39	38	14	13	15	23	22	22	18	16	17
Costa Rica	15	16	21	30	28	28	24	22	25	5	5	6	7	8	10	6	6	8
Mexico	20	"	23	49	"	43	34	32	30	6	"	6	18	"	19	12	10	10
Peru	28	35	45	68	65	64	50	46	52	8	12	16	39	37	39	25	21	25
Uruguay	10	9	14	-	21	24	-	11	15	4	2	3	-	7	8	-	3	3
Venezuela	20	18	25	36	35	34	25	22	27	6	5	8	19	15	14	10	7	9
Latin America	26	25	30	62	54	53	40	35	37	10	9	11	34	28	30	19	15	17

Source: ECLAC estimates. The figures for 1970 correspond to the estimates published in *La dimensión de la pobreza en América Latina*, Cuadernos de la CEPAL series, No. 27, Santiago, Chile, 1979.

"Only data at the national level were available.

Table 7

## LATIN AMERICA AND THE CARIBBEAN: MAGNITUDE OF POVERTY IN 1989

*(Projections on the basis of figures for 1986)*

	Households				Population			
	Poverty		Indigence		Poverty		Indigence	
	Thousands	Percent-ages	Thousands	Percent-ages	Thousands	Percent-ages	Thousands	Percent-ages
Total	34 600	37	15 800	17	183 200	44	87 700	21
Urban	20 300	31	7 600	12	103 700	36	39 400	14
Rural	14 300	54	8 200	31	79 500	61	48 300	37

Source: ECLAC estimates.

One of the most striking conclusions to be drawn from this comparison is that, unlike the situation in 1970, poverty in the region is now a mainly urban phenomenon, because of the big expansion in the main cities—over the last 20 years the urban population of the region has risen from 58% to 69% of the total population—and the fact that the increase in the indexes of poverty has been concentrated above all in those areas, especially in the crisis period. Thus, whereas in 1970 only 37% of the poor lived in urban areas, over half the population now does so. If we look at the extremely poor or indigent, on the other hand, it may be noted that today, just as in 1970, most of them continue to live in rural areas, despite the increase from 31% to 45% which has taken place in the proportion of urban indigents in the total number of such people.

These global figures are undoubtedly associated with the virtual stagnation of the per capita product in Latin America during the period 1970-1989. Thus, if we leave out Brazil, over this period the product grew by only 3.2% in real terms, so that the per capita product in 1989 was more than 12% lower than in 1980. In almost all the countries, most of this drop took place over a relatively short period of only two or three years and was accompanied by disproportionate reductions in the income of the poorest sectors. This fact, together with the nature of the crisis, explains the rise in the indexes of poverty at the national level and particularly in urban areas. On the other hand, the increase in the last two decades in the per

capita income in rural areas undoubtedly goes a long way towards explaining the decline in poverty in those areas. In the 1980s, the added value generated in agriculture—per rural inhabitant—grew by nearly 14%, while the product generated outside that sector went down by a similar amount (IDB, 1989). Even so, however, between 1970 and 1989 the number of rural poor in Latin America increased by some 9 million persons.

Finally, attention may also be drawn to the marked asymmetry between the evolution of urban poverty in Latin America and the changes which took place in income during the two sub-periods under consideration. In the 1970s, although per capita income in the region increased relatively rapidly (by an average of 3.6% per year), poverty went down by only one percentage point. In the first half of the 1980s, in contrast, the decline in per capita income (which averaged 2.3% per year) was accompanied by an increase of five percentage points in urban poverty.<sup>20</sup> These advances and setbacks are undoubtedly likewise associated with the trends

<sup>20</sup>The trends observed in the eight countries confirm this statement. In the case of Brazil—the country with the greatest weight at the regional level in the aggregate figures—the drop of five percentage points in urban poverty between 1970 and 1979 (attributable mainly to the sharp rise in per capita income from US\$1 100 to US\$1 850 at 1980 prices over this period) was practically wiped out over the following eight years. Even though in 1987 per capita income had recovered its 1979 level after the sharp drop suffered between 1980 and 1983, average wages and the minimum urban wage still stood in that year at the lowest levels of the entire 1980s.

observed in income distribution. By way of hypothesis—for no information is available on the income distribution patterns around 1970 which is comparable with the estimates made for the mid-1980s—it may be asserted that the reduction in poverty registered in some countries in the 1970s took place without any major change in distribution patterns: that is to say, there was no change in the high levels of concentration typical of the region. Brazil and Colombia seem to be the most noteworthy cases in this respect, since the effects of the so-called trickledown were basically merely in line with the rate of growth of these economies. The well-known and extensively analysed effects of the crisis, especially on the lower strata of the urban population, explain the fact that in the 1980s the

drops in income and consumption were most marked in the lowest deciles of the income distribution scale, thus increasing the amount of poverty and the already high levels of inequality. Argentina and Uruguay, which had the relatively most equitable income distribution patterns of Latin America, suffered severe setbacks in this respect, sinking down closer to the level of countries with intermediate degrees of income concentration. Consequently, it is very likely that now, at the beginning of the 1990s, several countries of the region—specially those where their economic adjustments have meant pronounced drops in income—display greater inequity in distribution than around 1980 and similarly higher indexes of poverty, especially in urban areas.

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