THE DEVELOPMENT GAP

IMF Programs Increase Poverty, Unemployment and Inequality in Latin America, Reflecting Worldwide Impact

*Below we present preliminary findings from analysis that **relates the intervention of the International Monetary Fund in Third World countries to the declining well-being of citizens** in those nations. The focus here is on the situation in Latin America.*

According the United Nations Development Programme (UNDP) in its annual, highly respected Human Development Report, the **Human Development Index** (which measures human well-being) **fell during the first half of the 1990s in 20 of the 24 Latin American and Caribbean countries in which the IMF had a strong presence**. Other sources confirm these findings. Operating under a number of IMF programs, Mexico, for example, saw the number of its citizens living in extreme poverty jump from 11 million to 15.8 during the decade ending in 1995. In Chile, the leading disciple of IMF economic orthodoxy, the poorest 10 percent of households suffered an absolute decrease in income of 6.6 percent between 1992 and 1994; in fact, all but the top two deciles of the population saw their monetary income decline during the period (Leiva).

Employment figures tell a similar story. The Inter-American Development Bank (IDB) reports that **over one half of the 20 Latin American countries** for which it has official data have **experienced an increase in their unemployment rates** in the 1980s and 1990s. Even these figures underestimate the problem, as official figures can be misleading. In Mexico, for example, anyone working one day per month is classified as employed. Today, one third of the economically active population of nearly 30 million workers are either unemployed or in precarious jobs in that country. The **worldwide record** is clear, however. Of the 43 Third World countries for which the International Labour Office has official statistics covering the period 1978-1995, 31, or **72 percent, saw unemployment increase while they were receiving IMF support.**

Furthermore, those who have had jobs in **countries under IMF stabilization/adjustment programs have seen their wages fall**. According to the UNDP, between 1980 and 1992 real earnings per employee fell in nine of the Latin American and Caribbean nations for which it has data. In the cases of Venezuela, Brazil, Uruguay and Argentina, the decline averaged more than two percent ov er that period. Even in Chile, 45.5 percent of those employed in 1994 still received wages inadequate to cover the basic needs of an average-sized household; it would have taken a drop of only US$3 in monthly per capita income for the 742,000 people in the seventh "twentile" of the Chilean population to be cast below the poverty line (Leiva). According to the IDB, the real minimum wage is lower today than in 1980 in 17 of the 19 nations for which it has figures.

At the same time, statistics from the Economic Commission on Latin America and the Caribbean (ECLAC) bear proof of the **growing disparity in the distribution of wealth** in the region. Of the 11 cases in which data is available, the percentage of wealth controlled by the poorest 20 percent of the population has fallen in seven.

One of the chief causes of growing wealth disparities is the **worsening income distribution** of countries operating in accordance with IMF economic conditionalities. In Mexico, income and wealth distribution had deteriorated significantly even before the economic crash of 1994-95. Between 1984 and 1994, the share of national income received by the top ten percent of the Mexican population increased from 34.27 percent to 41.24 percent, while the share held by the poorest 40 percent fell from 12.72 percent to 10.81 percent. In El Salvador, the share of national income received by the bottom population decile fell by almost a half and that received by the bottom 40 percent of the population dropped by a third; in fact, all the population deciles experienced a decline except for the top two, with the top decile's income increasing dramatically from 27.48 to 38.36 percent (FUNDE). In the Southern Cone of the region, the richest 20 percent of Chilean households further expanded its share of national income during the first half of this decade in contrast to the poorest 20 percent, which suffered a further loss (Leiva), while Argentina has seen almost a doubling of the percentage of poor people in its population, a decline in its middle class and a sharp increase in the share of national income taken by the richest ten percent of its households over the past two decades. World Bank data indicate that inequality, measured by GINI coefficients, has also become more acute in a number of other countries in the region.

One of the chief factors (beyond IMF and World Bank stabilization and adjustment programs) preventing countries from reducing their increasing poverty and inequality rates is the high level of their **external debt**. Yet, preliminary analysis also demonstrates a **positive relationship between participation in stabilization and adjustment programs and the accumulation of debt**. In 14 of the 16 Latin American countries involved in such programs, foreign debt has increased by an average of 74 percent since the policies were first implemented. The percentage of Third World countries overall in which debt has increased during the application of these policies is even higher.

February 1998

[Return to The Development GAP Home](http://www.developmentgap.org)
http://www.developmentgap.org