EXTREME LEVELS OF POVERTY AND INEQUALITY MAY LEAD TO EQUALLY HIGH LEVELS OF SOCIAL CONFLICT AND CRIME

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EXTREME LEVELS OF POVERTY AND INEQUALITY MAY LEAD TO EQUALLY HIGH LEVELS OF SOCIAL CONFLICT AND CRIME

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August, 2015

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Submitted in Partial Fulfillment of the Requirements for the Degree of Master of International Relations at the City College of New York
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Abstract

Poverty and economic inequality remain a vexing concern in Latin America. The specter of crime continuously looms, creating a constant state of social discomfort in the region. Latin America has established an unparalleled zone of democracy. The region has also become an economic force.

The prevailing notion regarding the relationship between poverty and inequality with crime and conflict outbreaks is that violence tends to occur in regions where poverty is endemic. Inequality, as it is understood, breeds contempt. In this thesis, I test the hypothesis that extreme levels of poverty and inequality are likely to result in equally high levels of crime and social conflict in Latin America. To test this, correlations were performed in order to determine whether there was a connection between (the percentage of people living on less than $1.25 per day) and crime. Data was culled from the United Nations Office on Drugs and Crime (UNODC). A correlation test was also performed to show a link between economic inequality measured as the Gini coefficient (using data from The World Bank), and criminal activity. With respect to the nexus between poverty and inequality and social conflict, the lack of time series data on social conflicts, i.e. general strikes, demonstrations, and riots, dictated a more qualitative approach to assessing the relationship in the only years available, 2008 and 2012.

The findings were as follows: In Latin America’s two most unequal countries, Colombia and Brazil, there was no significant correlation between inequality and crime. With respect to Brazil, a significant correlation exists between poverty and crime. In Uruguay, Latin America’s least unequal country, the correlation between poverty and crime was significant, but there was no significant correlation between inequality and crime. In El Salvador, Latin America’s second least unequal country, there was no correlation between poverty and crime. However, there was a significant correlation between inequality and crime.

With respect to social conflict, the spontaneous nature of social mobilization made it difficult to prove a relationship between social conflict and poverty and inequality. One of the reasons is that many individuals are reluctant to admit that they participate in protests. Furthermore, survey teams may not be on site at the exact moments protests occur. In Latin America as a whole, it seems the more wealthy are engaging in protests. However, there are a surprisingly few number of people who seem to engage in demonstrations. For the two years analyzed in this study, 2008 and 2012, only 9 percent of Colombians participated in protests for both years. Brazil saw only 6 percent of its people demonstrate in 2008 and 5 percent in 2012. In Uruguay, only 10 percent took part in social movements in 2008 and 8 percent in 2012. Lastly, only 5 percent of El Salvador’s population protested in 2008 and 4 percent in 2012. Poverty and inequality do not therefore seem to be related to participation in protests; instead protests are undertaken to draw attention to specific problems resulting from modernization.
Chapter 1

Introduction, Research Design, and Literature

Poverty and economic inequality remain a vexing concern in Latin America. The specter of crime continuously looms creating a constant state of social discomfort in the region. Latin America has established an unparalleled zone of democracy. The region has also become an economic force. For the year 2013, the region’s economy expanded by 2.5 percent, outperforming the global average of 2.2 percent.\(^1\) Between 2002 and 2011, income inequality dropped in 14 of the 17 countries where there is comparable data.\(^2\) During this period, approximately 50 million people moved into the middle class, meaning that for the first time ever, more people in the region belong to the middle class than are living in poverty.\(^3\)

With such feel-good numbers, why has the region also become so paralyzed by crime? The prevailing notion regarding the relationship between poverty and inequality with crime and conflict outbreaks is that violence tends to occur in regions where poverty is endemic. Inequality, as it is understood, breeds contempt and recruitment for terrorist purposes. The underlining assumption is based on literature (elaborated below) which discusses the correlation between unequal income distribution and cases of social movements (protests, demonstrations, riots, and general strikes), as well as criminal activity.

\(^{3}\) Ibid.
In this thesis I aim to test these relationships in a selected group of Latin American countries. My research design is outlined below. My study is not intended to provide new theory or analysis but rather to lend support to (or disprove) existing literature and ideas. However, by using both quantitative and qualitative analysis, I hope to provide some fresh insight into why economic conditions relate to social instability. What I seek to provide in this study are alternative perspectives when it comes to examining the links between poverty and inequality and social upheaval and criminal behavior.

**Research Design**

In this study, social conflict is defined as a process of contentious interaction between social actors and institutions which mobilize with different levels of organization and act collectively in order to improve conditions, defend existing situations, or advance new alternative social projects. This usually takes the form of popular protests. The state continues to be one of the main actors in the power struggles related to social demands, and it centralizes the collective dissatisfaction with society. In seeking to understand social conflict in Latin America, a United Nations Development Programme paper coordinated by Fernando Calderon, explains that many conflicts tend to grow because there is a lack of institutional frameworks which are capable of providing platforms for dialogue and negotiation. Because of the unavailability of sufficient quantitative data, social conflict will be assessed here by describing the protests that have taken place in countries used in this study (see below) for years in which

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5 Ibid.

6 Ibid.
data are available. Specifically, I will evaluate what was happening in the countries during the years social conflicts were unfolding, and what were the motives for protest. The study of social conflict will be anchored by noting poverty and inequality levels for those particular years.

While one aspect of my hypothesis is the relationship between poverty and social protests, another focus will be crime. Latin America is known for high levels of crime. For the purpose of this study, homicides will be used as measures of crime. Crime rates will be measured by the number of homicides per 100,000 people in a given year. Homicide is defined as the intentional killing of a person by another. Homicide is one of the most effectively recorded crimes, and as such, rates of intentional homicide per 100,000 population have sometimes been used as a proxy for levels of violent crime or even overall crime.

From the early 1980s to the mid-1990s, the rate of intentional homicides increased by 50 percent in Latin America and sub-Saharan Africa and by more than 100 percent in eastern Europe and central Asia. The Americas have suffered immensely from crime-driven violence and high levels of impunity. According to the United Nations 2013 Global Study on Homicide, of the world’s 437,000 homicides in 2012, more than a third, or 36 percent, took place in the Americas – a region which encompasses North America, South America, and the Caribbean. This paper will focus on the period from the post-Cold War period up until the present time of this study, 2015.

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8 Ibid.
My hypothesis is that the factors described are correlated with levels of poverty and inequality. In my analysis, extreme poverty will be measured by the percentage of individuals living on less than $1.25 a day. In addition to poverty, high and pervasive levels of inequality have been considered by scholars, think-tanks, and international organizations to be among the leading causes of social conflict. Inequality is measured by the Gini coefficient. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income or consumption, all others have none).  

The rationale for my hypothesis is that according to many reports, deficits in development are common threads in the majority of armed conflicts. A 2014 Human Development report also suggests that growing economic and social tensions emerge from increasing inequality and a lack of economic opportunities and continue to fuel civil unrest. The report highlights the Arab spring as an example of a social movement fueled by the perception that policy making has not reflected people’s needs, or taken into account any of their grievances. This contributes to social discord and stunts social harmony and cohesion conducive to resilient development outcomes.

The report further notes that a society which fails to work towards the well-being of its members, fails to fight exclusion or marginalization, does not create a sense of belonging, and turns its back on efforts to promote trust and provide opportunities of upward mobility, is likely to experience conflict and violence. This is so particularly in circumstances of unequal access to

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11 The World Bank

12 Human Development Report 2014

13 Ibid.
resources or benefits from natural wealth, or the inability to deal effectively with rapid social or economic change or the impact of economic or climate related shocks.\textsuperscript{14}

Often discussed synonymously, poverty and inequality are really quite separate. Countries which may rank high in inequality may be among the most economically productive nations in the world, and countries with extreme levels of poverty may not necessarily be the most unequal. In this thesis I plan to explore whether and why poverty and inequality lead to social conflict and crime. I will first discuss the expert literature. This will be followed by a general discussion of the economic, social and cultural factors which may contribute to popular uprisings and criminal activity, after which I will focus on two of Latin America’s most unequal countries (measured by the Gini coefficient), Colombia and Brazil, as well as the region’s two least unequal countries, Uruguay and El Salvador, and discuss the background on poverty and inequality, crime and instability in these countries. I then perform a number of correlation analyses. The analysis entails using time series data on poverty (the percentage of people living below the $1.25 poverty line in a given year) to see if there is a relationship. The method is repeated in an effort to draw a connection between inequality and crime. With respect to social conflict, the lack of time series data will call for a more qualitative approach to examining the connection to poverty and inequality during 2008 and 2012, the only years available for study.

I focus on Latin America both because it is a relatively economically developed and modernized region and also at the same time a highly volatile one. A study of 18 Latin American countries conducted by Luisa Blanco and Robin Grier, found that from 1971 to 2000, there were more than 450 political assassinations, 20 coups, more than 140 guerilla wars and

\textsuperscript{14} Ibid.
revolutions, and 113 crises that threatened to bring down sitting governments.\textsuperscript{15} Argentina, the most politically unstable country of the group, racked up 45 assassinations, three revolutions, and 15 riots spanning from 1973 to 1976.\textsuperscript{16} Moreover, as already discussed, it is a region of high crime. Despite the high number of conflicts the region has endured, Latin America has managed to make progress in lifting the poor out of economic despair. Between 2002 and 2008, approximately 40 million Latin Americans, out of a total population of 580 million, were lifted out of poverty, and there was slightly better income distribution throughout almost the entire region which translated into a modest decline in economic inequality.\textsuperscript{17} However, the persistence of crime, in particular, can serve as a hindrance to further development.

\textbf{Literature on the Dynamics of Conflict}

Paul Collier explains that economic conditions are the key factors in explaining civil wars. He details that for the average country in the study he and Anke Hoeffler conducted, the risk of a civil war in each five-year period was around 6 percent, but the risks increased if the economy was poor, declining, and dependent on natural resource exports. Underscoring their findings, Collier uses the Democratic Republic of the Congo (formerly Zaire) as an example where in the late 1990s – with deep poverty, a collapsing economy, and huge mineral exploitation – the risk reached nearly 80 percent.\textsuperscript{18}

Collier points out that each additional percentage point in the growth rate of per capita income shaves off about 1 percentage point of conflict risk; on the other hand, wars are more


\textsuperscript{16} Ibid., 77.

\textsuperscript{17} “So near yet so far” \textit{The Economist}, September 9, 2010, accessed December 23, 2014. \url{http://www.economist.com/node/16964114}

likely to follow periods of economic collapse – such as the conflicts which took place in Indonesia during the East Asian economic crisis of the late 1990s. If a country’s per capita income doubles, its risk of conflict drops by roughly half.\textsuperscript{19}

Collier and Hoeffler note that once a country has reached a per capita income rivaling that of the world’s richest nations, its risk of civil war is negligible. Thus people living under such prosperous circumstances have very little risk of civil war. Collier advances that the potential for conflict is concentrated among developing countries which account for 1.1 billion of the world’s poorest people. These countries typically have poor and declining economies and rely on natural resources – such as diamonds or oil – for a large proportion of national income.\textsuperscript{20} The dissolution of British, French, Portuguese, and Russian colonial strongholds during the last hundred years has led to an increase in the number of countries engaged in armed conflict.

As for the role of inequality, Collier and Hoeffler studied each five-year period from 1960 to 1999 and identified preexisting conditions that helped predict the outbreak of war. Contrary to my hypothesis, they found that inequality – either of household incomes or of land ownership – does not appear to increase systematically the risk of civil war. Note however that Collier and Hoeffler do not indicate whether the Gini coefficient was used for their study.

As an aside, it may be noted that Collier dismisses the idea that democratization reduces the risk of civil war, at least in low-income countries. He indicates that politically repressive societies have no greater risk of civil war than full-fledged democracies. He goes on to explain that countries falling between the extremes of autocracy and full democracy – where citizens

\textsuperscript{19} Ibid.  
\textsuperscript{20} Ibid.
enjoy some limited political rights – are at a greater risk of war. Low income societies with new democratic institutions are often at enhanced risk.\textsuperscript{21}

Lael Brainard, Derek Chollet, and Vinca LaFleur also believe there is a connection between poverty and civil conflict; they cite the fact that whether sparked by natural resource scarcities, inadequate unemployment opportunities for growing numbers of youths, or decrepit and corrupt institutions, intrastate conflict thrives in areas of poverty, leading to a vicious cycle between poverty and insecurity.\textsuperscript{22}

Brainard, Chollet, and LaFleur further advance that if poverty leads to insecurity, it is also true that the destabilizing effects of conflict and demographic and environmental challenges make it harder for leaders, institutions, and outsiders to promote human development.\textsuperscript{23} Civil wars may result in as many as 30 percent more people living in poverty and as many as one-third of civil wars ultimately reignite.\textsuperscript{24} Brainard, Chollet, and LaFleur sum up their assumption on the nexus between poverty and civil strife by positing that poverty is both a cause of insecurity and consequence of it.\textsuperscript{25}

Seyom Brown views the link between poverty and civil conflict through the prism of economics. First, Brown contends that groups engaged in collective action with any regularity usually consist of populations perceiving and pursuing a common set of interests.\textsuperscript{26} Brown points to a range of classical and neoclassical free market theorists from Adam Smith in the eighteenth century to Milton Friedman in the twentieth century who trace much of the world’s large-scale collective violence to political distortions of natural market mechanisms of supply

\textsuperscript{21} Ibid.
\textsuperscript{23} Ibid.
\textsuperscript{24} Ibid., 1-2.
\textsuperscript{25} Ibid. 2.
Brown draws a direct link between civil strife and the fight among those who seek to control the economic purse strings, by emphasizing that within countries the most intense political conflicts, sometime leading to revolutionary violence or civil war, are seen by the champions of market capitalism to inhere in statist societies where those in control of the government determine the economic winners and losers; in such societies, who controls the government can easily become a fighting issue. Brown cites Marxist principles which attribute much of the world’s civil and transnational violence to uneven and allegedly inequitable allocation of goods effectuated by the capitalist market.

The role of rising expectations is captured by the relative deprivation theory of rebellion. The theory suggests that groups are susceptible to being mobilized for militant revolutionary action when they perceive that the established regime is unjustly depriving them of amenities enjoyed by other groups. Brown further notes that the condition of having less than other groups is not the crucial determinant of intense resentment. The group must believe itself to be unjustly deprived (or to be threatened with such deprivation), whether or not this belief conforms to the reality of presumably objective observers. It is a formulation, Brown indicates, that is consistent with the phenomenon of collective violence occurring in groups that are still relatively well off in tangible assets or social status but resentful of upwardly mobile groups. Brown points to the violence against immigrant communities in Western Europe in the 1990s as a case in point. The inequitable distribution of resources leading to perception of injustice is an important element in the generation of violence-prone anger, Brown notes. He concludes that groups adhering to egalitarian doctrines of social justice may become violently antagonistic to the system and those

\[27\] Ibid., 32.
\[28\] Ibid.
\[29\] Ibid.
running it when the prevailing distribution of amenities appears to be grossly to their disadvantage.\textsuperscript{30}

Referencing strong economic indicators, Fearon and Laitin theorize that financially, organizationally, and politically weak central governments render insurgency more feasible and attractive due to weak local policing or inept and corrupt counterinsurgency practices. Such practices often include a proclivity for vicious and arbitrary retaliation that helps drive noncombatant locals into rebel forces. They argue that police and counterinsurgent weakness is proxied by a low per capita income.\textsuperscript{31}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Number and Percentage of Countries with Ongoing Civil Wars by Year from 1945 to 1999}
\end{figure}


\textsuperscript{30} Ibid., 34.
Figure 1.1 illustrates the results of Fearon and Laitin’s study which shows that between 1945 and 1999, omitting anticolonial conflicts, most civil wars occurred in the developing world: sub-Saharan Africa (34) Asia (33), North Africa/Middle East (17), and Latin America (15), (Eastern Europe and the former Soviet Union had 13, and “the West” 2). The rate of outbreak was highest in Asia, at three per 100 country years; Africa, North Africa/the Middle East, and Latin America all had rates approximately two per 100 country years. France, Indonesia, and the Soviet Union/Russia are the most civil war-prone countries in the sample, with six onsets each.32

**Literature on the Dynamics of Crime**

The relationship between poverty and inequality with violent crime is quite complex. In discussing the sociological theories between inequality and crime, Pablo Fajnzylber, Daniel Lederman, and Norman Loayza, note the common perception that lower-class people, and people living in lower-class areas have higher official crime rates than other groups. They point out one of the leading sociological paradigms on crime, the theory of “relative deprivation,” explains that inequality breeds social tensions as the less well-off feel dispossessed when compared with wealthier people. The feeling of disadvantage and unfairness leads the poor to seek compensation and satisfaction by all means, including committing crimes against both poor and rich.33

Fajnzylber, Lederman, and Loayza go on to note how difficult it is to distinguish empirically between the economic and sociological explanations for the observed correlation between inequality and crime. The observation that most crimes are inflicted by the poor on the

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32 Ibid.
poor does not necessarily imply that the economic theory is invalid given that the characteristics of victims depend not only on their relative wealth but also on the distribution of security services across communities and social classes. Following the completion of their study on the link between inequality and violent crime in which they used homicide and robbery as proxies for violent crime overall, Fajnzylber, Lederman, and Loayza ultimately concluded that an increase in income inequality has a significant and robust effect of raising crime rates. In addition, the GDP growth rate has a significant crime-reducing impact. Since the rate of growth and distribution of income jointly determine the rate of poverty reduction, the two aforementioned results imply that the rate of poverty alleviation has a crime-reducing effect.

Gene Stephens highlights the complexity of the crime issue by observing it through a cultural lens. Stephens explains that heterogeneous populations in which people have lots of political freedom (democracy) and lots of economic choice (capitalism) are prime candidates for crime unless a good socialization system is created and maintained. There are reasons for this. He explains that the very nature of crime is culturally defined. What is legal and desirable in one culture may be viewed as a serious crime in another; for instance making a large profit on a business transaction is highly acceptable in the United States but had been considered profiteering in China where up until the mid-1990s, led to execution for those found guilty of the offense. Furthermore, even within a single culture, the definition of crime may change through space and time. Gambling is legal in a number of U.S. states but illegal and an offense

34 Ibid.
punishable by incarceration in others. Marijuana is another prime example of how the legalization and terms of its use varies by state.  

Stephens posits that a culture in which the citizens are very similar – sharing similar ethnicity, religious beliefs, income levels, and values such as Denmark – is more likely to have laws that represent the wishes and desires of a large majority of its people than is a culture where citizens come from diverse backgrounds and have widely disparate income levels and lifestyles, as in the United States. For this reason, homogenous cultures normally have a lower level violation than heterogeneous cultures.  

Anomie, a term coined by French sociologist Émile Durkheim refers to social order. Citing sociologist Robert K. Merton, Stephens emphasizes that society must institutionalize the means (such as work, investment, or inheritance) for achieving material well-being or other goals if that society is to avoid the state of anomie and resultant crime and disorder. Stephens maintains that wide freedom of choice combined with little or no direction as to how to make one’s choice responsibly is also a formula for high crime rates. He further advances that in reactive societies, laws are often the product of group conflict, and since there is often disagreement about the law, little socialization – or contradictory socialization – takes place. Thus, the individual is left confused about what is expected or even socialized to disobey. Society’s only contribution is to punish the violator if captured and convicted, and even that is generally done ineffectively.

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37 Ibid.
38 Ibid.
39 Ibid., 24
40 Ibid., 26.
41 Ibid., 27.
Policy Literature

Consider the circumstances surrounding the Biafran conflict in Nigeria in 1967 or the secessionist conflict in Punjab in the early 1980s. Observers of these clashes have emphasized that these quarrels were triggered by perceptions of economic injustice.\(^{42}\) By the middle of the new millennium, Central and South Asia and the Middle East and North Africa had become the world’s deadliest regions highlighted in a Human Security 2012 report released by the Human Security Project. The report goes on to point out that the deadliest conflicts in the world in 2012 were concentrated within the aforementioned regions, notably the wars in Sri Lanka, Afghanistan, Pakistan, and Iraq. The report further revealed that the number of state-based armed conflicts rose by 25 percent between 2004 and 2008.\(^{43}\)

During the post-Cold War years, Sub-Saharan Africa has been the most conflict-prone region with nearly a third of the world’s total conflicts.\(^{44}\) Many of the countries suffering from social instability have a few common characteristics – weak institutions, disconnected national leadership, and poor policy. As a result, a study conducted by the UN Office for Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States (UN-OHRLLS) recommended that leadership at the national level implement policies that improve service delivery, address gender inequality and enable the poor to acquire investment assets that can improve their future income.\(^{45}\) The study further suggested that greater access to land, technology and finance are integral to boost growth in least developed countries and reduce


\(^{44}\) Ibid.

inequality. The report emphasized that “the effectiveness of all policies, in their formulation and implementation, critically depends on sound national institutions.”

A century ago, most conflicts were between nations, and 90 percent of casualties were soldiers; today, almost all wars are civil and 90 percent of the victims are civilian. Furthermore, civil wars have gotten longer with an average span of eight years, more than twice the norm before 1980. A May, 2003 article in the Economist which helps to strengthen the assumption that poverty ultimately leads to social conflict, pointed out that the most distinct common factor among war-prone countries is their poverty. The publication makes note of the fact that rich countries almost never suffer civil war, and middle-income countries rarely. But the poorest one-sixth of humanity endures four-fifths of the world’s civil wars.

The 2014 Human Development Report details that there is evidence of some correlation between group inequalities and violent conflict, which the organization states becomes more likely when political and socioeconomic and political inequalities are reinforcing. As an example, the report points out that the likelihood of conflict increases significantly in countries with severe economic and social horizontal inequality, defined as the distribution of resources among certain groups of people. Similarly, violent conflict is more likely to occur when development is weaker and religious polarization is greater. The 2014 HDR stresses that though there are many examples of peaceful multicultural societies, cultural ties can be a

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46 Ibid.
48 Ibid.
powerful source of mobilization and potential conflict when they interact with strong economic and political deprivations. Moreover, the report notes, sharp increases in group inequality raise the likelihood of tension and conflict.

Economist Joseph Stiglitz reveals that when he was chief economist of the World Bank, the Bank surveyed thousands of poor people throughout the world to determine what was of the most concern to them. At the top of the list was insecurity – vulnerability. Stiglitz defines vulnerability as an exposure to a marked decrease in standard of living and notes the special concern when it is prolonged, and when standards of living fall below critical thresholds, to a point of deprivation. Stiglitz goes on to point out that one of the biggest contributors to vulnerability is inequality.

Stiglitz explains that extremes of inequality mean that larger fractions of the population are in poverty – with the lower ability to cope with shocks when they occur. Extremes of inequality inevitably lead to political inequality – with the result that governments are less likely to provide the systems of social protection that can protect those at the bottom from the consequences of large shocks. This leads to social instability.

The World Bank measures extreme poverty as the percentage of the population living on less than $1.25 per day. The $1.25 poverty line is the average of the world’s poorest 10 to 20 countries. The Bank estimates that there are currently 1.2 billion people worldwide living in extreme poverty. The lending institution describes poverty as being multidimensional.

The 2014 Human Development Report concludes that inequality in access to resources and outcomes that coincide with cultural differences can become mobilizing agents that end in a

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52 Ibid.
53 Ibid.
54 Ibid.
55 Ibid.
56 Ibid.
range of political upheavals and disturbances. The report reasons that beyond the resentments of the excluded and the deprived, unrest and conflict can also manifest if the privileged take actions such as the manipulation of rules that favor the wealthy to ensure that the underprivileged do not make demands for more resources or political power.\textsuperscript{57} Simply stated, inequality corrupts politics and hinders economic growth.

Although I use only quantitative measures in my work, it should be noted that UNDP’s report, \textit{Humanity Divided: Confronting Inequality in Developing Countries}, released November 2013, explains that although there is a great deal of literature on poverty beyond income and including non-income deprivations such as health, nutrition and housing, a human well-being conceptual framework places a stronger emphasis on relational and subjective aspects, implying that what a person feels can influence what he or she will be and do. Such feelings or perceptions may be determined by personal experience or by wider institutions, norms and values that are culturally embedded and potentially disrupted during the process of economic development.\textsuperscript{58} This human well-being literature can then be applied to the analysis of inequality by considering the human well-being domains in relation to inequality of opportunities and outcomes, and the structural causes of inequality and how these matters relate to the ‘intrinsic’ case and ‘instrumental’ cases as to why inequality matters.\textsuperscript{59}

Oxfam chief executive Mark Goldring put the issue of inequality into perspective with his view that “governments around the world have been guilty of a naïve faith that wealth going to those at the top will automatically benefit everyone. That’s not true – it is their responsibility

\textsuperscript{57} Ibid.
\textsuperscript{59} Ibid.
to ensure the poorest are not left behind.”

Goldring continues, “extreme inequality is far from being inevitable – it is the result of political choices and economic fashion, kept in place by a wealthy elite whose influence helps keep the rules rigged in their favor. Too often, the invisible hand of the market is used as an excuse to pick the pockets of the poor.”

Goldring’s view parallels Marxist ideology which perceives a state’s ruling class to be solely interested in protecting its own interests. For Marxists as well as mercantilists, wealth and power are complementary: each depends on the other. Such insight undoubtedly influenced US Supreme Court Justice Louis Brandeis’ famous quote that “We may have democracy, or we may have wealth concentrated in the hands of the few, but we cannot have both.”

An Oxfam 2014 report on inequality emphasizes that the continued uneven distribution of wealth exacerbates gender inequality, and causes a range of health and social problems. The organization stresses that inequality stifles social mobility, keeping families poor for generations and fuels crime and violent conflict affecting the poorest people. Oxfam’s report concedes that some inequality is just a fact of life, necessary to drive growth and progress, where those with talent and skill get to reap the rewards. It also spurs innovation and is the driving force behind entrepreneurial risks. However, extreme levels of unequal wealth distribution threaten to prevent hundreds of millions from benefitting from their talents and hard work. Oxfam points out that in many countries, economic inequality can have a direct effect on equal political representation where rules are manipulated to favor the rich at the expense of everyone else. The consequences


61 Ibid.


64 Ibid.
of social inequity can lead to erosion of democratic governance, the pulling apart of social cohesion, and the vanishing of equal opportunities for all. Oxfam warns that unless policies are instituted to curtail the influence of wealth on politics, governments will continue implementing policies that benefit the rich while economic and political inequalities continue to rise.

Oxfam’s report touched a global nerve, especially since its data revealed that in 2013, seven out of 10 people lived in countries where economic inequality was worse than 30 years ago, and in 2014, the organization calculated that just 85 people owned as much wealth as the poorest half of humanity. The wealth of the one percent richest people in the world amounts to $110 trillion. That’s 65 times the total wealth of the bottom half of the world’s population.

Other notable findings of Oxfam are that the richest one percent increased their share of income in 24 out of 26 countries for which data was available between 1980 and 2012. In addition, in the U.S., the wealthiest one percent captured 95 percent of the post-financial crisis growth since 2009, while the bottom 90 percent became poorer. Oxfam estimated that if India in particular stopped inequality from rising, 90 million more men and women could be lifted out of extreme poverty by 2019. Based on its findings, Oxfam warned that if concentration of economic resources remains in the hands of fewer people, it will threaten inclusive and political and economic systems which will subsequently lead to social tensions and raise the probability of societal breakdown.

65 Ibid.
68 Ibid.
Studies conducted by the Pew Research Center mirror Oxfam’s findings. The think-tank, citing a 2013 global wealth report by Credit Suisse, reveals that people with a net worth of more than $1 million represent just 0.7 percent of the global population, but they have 41 percent of the world’s wealth. Meanwhile, those with a net worth of less than $10,000 represent 69 percent of the population, but just 3 percent of global wealth. Contributing to the hypothesis that poverty and inequality can ultimately lead to social conflict, Pew refers to an essay penned by United Nations official Amina Mohammad, the Secretary General’s Special Adviser on Post-2015 Development Planning, and Vice-Chair of the Global Agenda Council on Sustainable Development. Mohammad notes that inequality remains problematic on many levels (figure 1.2), including the fact that it is linked to “poverty, environmental degradation, persistent unemployment, political instability, violence and conflict.” Furthermore, Mohammad goes on to explain the inherent dangers of neglecting inequality. “People, especially young people, excluded from the mainstream end up feeling disenfranchised and become easy fodder of conflict.”

Offering a view similar to what many scholars and economists have observed, Mohammad posits that inequality diminishes economic growth, leads to the deterioration of social cohesion and security, encourages unbalanced access to and use of global commons, weakens democracies, and compromises hopes for sustainable development and peaceful societies. Moreover, UNDP’s report on confronting inequality makes clear there is empirical evidence supporting these claims. The report cites numerous studies, including one by the World Economic Forum, which found that rising inequality is associated with a range of negative outcomes, including economic stagnation, political instability, and social unrest. The report also notes that inequality has become a major concern among citizens around the world, with surveys showing that a large majority of people believe that the distribution of wealth and opportunity is unfair and needs to be addressed. Overall, the evidence suggests that inequality is a significant challenge that must be addressed if we are to build a more just and prosperous world. 70 Pew Research Center http://www.pewresearch.org/fact-tank/2014/11/08/with-41-of-global-wealth-in-the-hands-of-less-than-1-elites-and-citizens-agree-inequality-is-a-top-priority/
72 Ibid.
73 Ibid.
evidence that high or rising inequality has a negative effect on the rate of growth or the length of growth spells.\textsuperscript{74}

\textbf{Figure 1.2 Extent of Inequality in the World 2014}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
 & Very big problem & Moderately big problem & Net \\
\hline
Africa & 74\% & 19\% & 93\% \\
Europe & 60 & 31 & 91 \\
Latin America & 60 & 22 & 82 \\
Asia & 43 & 39 & 82 \\
U.S. & 46 & 32 & 78 \\
Middle East & 57 & 17 & 74 \\
\hline
\end{tabular}
\end{table}

Note: Median percentages by region. Russia and Ukraine not included in Europe median.
Source: Spring 2014 Global Attitudes survey.
PEW RESEARCH CENTER

Helen D. Gayle, President and CEO of CARE USA and member of the Global Agenda Council on Poverty and Sustainable Development concurs with the outlook presented by Mohammad. Gayle makes note of the record rise in protests, along with contemporaneous uprisings and riots of historic proportions, and directly attributes the events to growing income inequality.\textsuperscript{75} Gayle illustrates that widening wealth disparity affects all aspects of daily life including social stability within countries and the threat it poses to global security. Reflecting Amina Mohammad’s view on the impact of rising inequality and the social tension it causes, Gayle notes that “As young people around the world see growing threats to their education,

\textsuperscript{74} United Nations Development Programme
\textsuperscript{75} World Economic Forum Global Agenda Outlook 2014
http://www.weforum.org/reports/outlook-global-agenda-2014
incomes and health, a movement is coalescing around the issue of widening income disparity. Unrest cloaked in a desire to change from one political leader to another is a manifestation of people’s concerns about their basic needs. And it’s the young who are most willing to take to the streets because they feel like they have nothing to lose.”

Among the causes of civil strife, particularly within developing nations, Gayle points to an alarming statistic dealing with the difficulty many young adults with college degrees are having in finding jobs; within many countries, the youth unemployment rate exceeds 50 percent. With such statistics in mind, Gayle offers that “In order to counteract income inequality, it’s essential to tackle poverty in an integrated way that has long-term impact. We need to give people the capacity to be resilient, to take on challenges, and to learn the skills they need to work toward more prosperous futures.”

Dr. S.D. Shibulal, CEO of Infosys and Member of the Global Agenda Council on Emerging Multinationals, also sees a reckoning when it comes to youth unemployment. “A generation that starts its career in complete hopelessness will be more prone to populist politics and will lack the fundamental skills that one develops early on in their career. This can undermine the future of European integration, as the countries with the highest youth unemployment rate on the periphery.” Shibulal emphasizes the need to address chronic joblessness which he directly associates with social unrest. “People, particularly the youth, need to be productively employed, or we will witness rising crime rates, stagnating economies and the deterioration of our social fabric.”

76 Ibid.
77 Ibid.
78 Ibid.
79 Ibid.
Huguette Labelle, Chair of Transparency International and a Member of the Global Economic Agenda Council on Responsible Mineral Resources Management underscores the devastating effect inequality has on society as she notes that

Inequality is a fundamental issue facing every country. There are inequalities within countries and between countries. Poverty and greed are part of the reason and corruption is a common denominator, but it is manifested in different ways. In Western industrialized countries we see tax evasion, illicit trade and collusion on contracts. In poor countries the theft of public assets by some leaders remains a problem, but petty bribery has a crippling effect. Unless you successfully tackle corruption, you won’t reach equality of access and greater peace.\textsuperscript{80}

Labelle goes on to point out that corruption prevents developing countries from reaping the benefits when they exploit their natural resources. “In 2006, for example, the Treasury Department of the Democratic Republic of Congo received only $86,000 despite around $1 billion worth of minerals being exported from the country. Around $2.5 billion of gold has been taken out of Tanzania but the government there has received only $28 million a year over an eight-and-a-half-year period.”\textsuperscript{81}

Jorge Soto, founder of Data4, and a Member of the Global Agenda Council on the Future of Government, highlights that demonstrations have been at the forefront of global consciousness. Soto points to Greece and Spain which have seen unrest following the Eurozone crisis. There is also the uprising that took place in Ukraine which ultimately led to the toppling of former Ukrainian president Viktor Yanukovych. Not to be undone, Brazil dealt with its fair share of civil unrest leading up to the 2014 World Cup. The Brazilian populace took to the streets to voice their frustration with income disparity and public spending on the World Cup and

\textsuperscript{80} Ibid.
\textsuperscript{81} Ibid.
2016 Olympic Games\textsuperscript{82}…and now, against corruption! A kickback scandal involving Brazil’s state-run oil company Petrobras has led to further demonstrations and a call for President Dilma Rousseff’s impeachment. On April 12, 2015, protestors packed the streets in a number of Brazilian cities as word began spreading of the enormity of the graft. Police estimated 275,000 demonstrators in São Paulo.\textsuperscript{83} It was the second day of nationwide protests in less than a month. Most of the politicians accused in the investigation relating to the scheme are associated with Rousseff’s Workers Party and its allies.\textsuperscript{84} Though Rousseff was the chairwoman at Petrobras during the time the malfeasance was occurring, she has denied any knowledge of the scheme and has defended the right of Brazilians to protest.

In sum, the literature reveals that the causes of conflict are complex and dynamic but that two factors, poverty and inequality, are usually cited as important in fostering instability. The region I have chosen as my focus is Latin America, and in the next chapter, I will discuss Latin America’s socio-economic condition, as well as provide insight into the region’s political volatility. This will be followed by country profiles on two of Latin America’s most unequal countries, Columbia and Brazil, and two of Latin America’s least unequal countries, El Salvador and Uruguay.

\textsuperscript{82}World Economic Forum Global Agenda Outlook 2015

\textsuperscript{83}Shasta Darlington “Protesters in Brazil push to impeach President Dilma Rousseff,” CNN, April 12, 2015, accessed April 26, 2015
http://www.cnn.com/2015/04/12/americas/brazil-protests/

\textsuperscript{84}Ibid.
Chapter 2

Latin America Background

Socio-Economic Condition

Don Soo Chon explains that neoliberal policies in Latin America intensified poverty and economic inequality, which in turn produced a high level of violence. He adds that the region demonstrates the highest rates of socioeconomic inequality in the world. For example, five percent of the people who earn the highest income in Mexico can save 12 million Mexicans from poverty. Ten percent of the families in Latin America made 48 percent of total income, while the poorest 10 percent of families gained only 1.6 percent of total income. 1 Francis Fukuyama states that Latin America has failed to provide equal access to public services such as education and health. 2

Following the disappointing economic performances of the 1980s and the unsteady 1990s, Latin American economies expanded and became more equal in the first decade of the twenty-first century. The combination of rapid growth and improvements in distribution triggered a steep reduction in income poverty that marks a stark contrast with the region’s performance during the preceding decades. In Mexico, income poverty declined slightly in the 1990s in the wake of the 1994 Mexican “tequila crisis.” 3 Many factors contributed to Mexico’s “tequila crisis” but two were the most prominent: tighter monetary policy in the United States.

and political instability at home. This led to a 50 percent devaluation of the peso.⁴ Thereafter, the net result of opposing trends in different countries held nearly steady until 2003 and then began to fall sharply and continued to do so until the end of that decade, despite the global financial crisis from 2008 to 2009.⁵

As in the case with poverty trends, the region’s performance in terms of income distribution has changed a great deal in recent decades, with income inequality climbing in the 1980s and 1990s before drastically falling in the 2000s. The break in this trend appears to have occurred around 2002. Although some countries such as Brazil and Mexico had begun to exhibit a more equal distributional pattern in the late 1990s, others did not begin to do so until the early 2000s with Argentina, Peru, and Venezuela as examples. By 2002, distribution patterns in all the countries of the region were becoming equal.⁶

Going back to the 1990s, Leonardo Gasparini and Guillermo Cruces note that during the 1990s, Latin America expanded at a moderate pace, providing a driving force behind a modest increase in aggregate poverty, although inequality increased in a number of countries. The years around the turn of the century saw stagnant per capita GDP together with shifts toward greater inequality, which translated into higher levels of poverty.

Latin American countries had taken on a series of pro-market structural reforms designed to modernize their economies. The reforms, although introduced by some countries in the 1970s (Chile) and 1980s (Mexico), were a symbol of the 1990s. They included opening economies to international trade and capital flows, boosting foreign direct investment, and increased

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⁶ Ibid.
privatization and deregulation. Gasparini and Cruces point to literature that, at least in the short-term and medium terms, suggested that these reforms heightened existing inequalities by curbing the relative demand for unskilled labor, thereby depressing wages and reducing job opportunities, particularly in the formal sector, for those workers.\(^7\)

Major macroeconomic crises are associated with spikes in inequality. Once the economy has begun to return to some degree of normality, the level of inequality tends to subside. A number of countries were hit by severe economic crises around the year 2000 including Argentina, Colombia, Ecuador, Paraguay, Uruguay, and Venezuela, and all of them witnessed steep drops in GDP and large but short-lived spikes in poverty and inequality.\(^8\) Gasparini and Cruces credit favorable external conditions and solid macroeconomic policies for the success countries in Latin America had in expanding aggregate demand which concomitantly lowered their unemployment rates during the 2000s. This helped to reduce inequality in two ways: directly by boosting the incomes of people who had previously not been employed, and indirectly, by putting increasing upward pressure on wages in the labor market. The influence exerted on distribution by this greater labor demand appears to have been quantitatively significant in some cases such as Argentina, but less so in others such as Brazil and Mexico.\(^9\)

Thus, the 2000s were a time of strong GDP growth, at least until 2008, coupled with improvements in wealth distribution. The combination of these factors, in addition to the global financial crisis having a limited impact on the region, contributed to a sizeable decrease in poverty in Latin America.\(^{10}\)

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\(^8\) Ibid., 59.

\(^9\) Ibid., 58-59.

\(^{10}\) Ibid. 55.
In the years following the recession, in what has been characterized as the rebound effect with the economies of certain countries stabilizing, poverty and inequality fell almost as fast as they had risen during the economic downturn.

To sum up, the Latin American region has made great strides in reducing poverty and inequality as evidenced by the fact that both poverty and income inequality decreased at a substantial rate during the first decade of the twenty-first century up to 2008. At the start of the century, 25 out of every 100 people in the region were living below the poverty line of $2.50. Today, only 14 out of every 100 are in that situation.\(^{11}\) The region’s decline in income inequality resulted in the mean Gini coefficient falling from 0.534 in 2002 to 0.499 in 2010.\(^{12}\) As previously stated, the focus of this paper is on those living on less than $1.25 per day which is considered to be extremely poor.

Between 2002 and 2011, income inequality dropped in 14 of the 17 countries where there is comparable data.\(^{13}\) During this period, approximately 50 million people moved into the middle class, meaning that for the first time ever, more people in the region belong to the middle class than are living in poverty.\(^{14}\) These improvements in social indicators have been linked to at least two factors: on the one hand, most of the region’s economies have been experiencing robust growth together with upswings in employment and labor income; on the other, a majority of the countries have boosted social spending and put wide-ranging social protection systems in place or have greatly expanded the scope of their existing systems.\(^{15}\) In addition, the years between 2003 and 2008 were Latin America’s best since the 1960s, with economic growth averaging 5.5

\(^{11}\) Ibid., 51.
\(^{12}\) Ibid.
\(^{14}\) Ibid.
\(^{15}\) Ibid., 51-52.
percent a year and inflation hovering in the single digits.\textsuperscript{16} After declines during the recession, for the year 2013, the region’s economy expanded by 2.5 percent, outperforming the global average of 2.2 percent.\textsuperscript{17}

Latin America has 15 percent of the world’s oil reserves, a large stock of its minerals, a quarter of its arable land and 30 percent of its fresh water.\textsuperscript{18} Mexico in particular holds 25 percent of global GDP and despite its ongoing efforts at fighting the transnational drug trade, the nation has maintained economic and political stability.\textsuperscript{19} Chile, Colombia, Panama, and Peru have investment-grade credit ratings and continue to grow at a rapid pace. The debt burden of those four countries is less than in many developed nations.\textsuperscript{20} In 2014, Latin America and the Caribbean had a regional Human Development Index value of 0.740, the highest among all regions in the world.\textsuperscript{21} In 2010 it was predicted that if Latin America can keep up the growth it was experiencing, it would double its income per person by 2025, to an average of $22,000 a year at purchasing power parity.\textsuperscript{22} Unfortunately, some slowdown was experienced after 2008 before the region rebounded.

Challenges remain which could mitigate the region’s economic gains. There are three main concerns. First, since 1960 Latin America has seen the lowest growth in productivity of any region in the world, not least because around half of all economic activity takes place in the informal sector. The informal sector provides employment for more than 50 percent of the urban

\textsuperscript{16} “So near yet so far” \textit{The Economist}, September 9, 2010. \url{http://www.economist.com/node/16964114}
\textsuperscript{18} “So near yet so far” \textit{The Economist}, September 9, 2010. \url{http://www.economist.com/node/16964114}
\textsuperscript{19} Ibid.
\textsuperscript{20} Ibid.
\textsuperscript{22} “So near yet so far” \textit{The Economist}, September 9, 2010. \url{http://www.economist.com/node/16964114}
workforce. Out of every 100 jobs created since 1980, 60 have been informal ones.\textsuperscript{23} Specifically, by the end of the 1990s, the informal sector accounted for 44 percent of workers in Brazil, 40 percent in Mexico, and 41 percent in Venezuela.\textsuperscript{24} Second, the region’s income distribution is the most unequal anywhere. According to the World Economic Forum’s Outlook on the Global Agenda 2014, sixty-four percent of Latin Americans feel that the economic system in their country favors the rich.\textsuperscript{25} In fact, as UNDP’s paper on social conflict in Latin America points out, in many Latin American countries power is excessively concentrated, markets are insufficiently competitive for the global economy, state institutions are relatively weak with questionable legitimacy, citizen participation is limited, institutions inadequately recognize cultural identities, and there are serious problems of social exclusion (poverty and inequality). In this sense, they remain “unfinished societies,” and the conflicts found on social agendas throughout the region require economic, political, and social changes.\textsuperscript{26}

Despite recent gains, at 36 percent, Latin America and the Caribbean had the highest income inequality when compared to all other regions.\textsuperscript{27} This has acted as a drag on growth and caused political conflict. Third, Latin America suffers from widespread crime and violence, much of it perpetrated by organized drug gangs. In some countries, the homicide rates are alarmingly high.\textsuperscript{28} The regional average is now 70 murders for every hundred thousand people,

\begin{footnotesize}
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making Latin America one of the most violent regions in the world.\textsuperscript{29} By 1998, violence had become the leading cause of death for those aged fourteen to forty-four in Latin America and the Caribbean.\textsuperscript{30} In addition, income per person varies widely, from $15,300 in Panama to $2,900 in Nicaragua.\textsuperscript{31}

Globally, 1.2 billion people or 22 percent live on less than $1.25 a day, which is considered to be an extremely low standard of living. Increasing the income poverty line to $2.50 a day raises the global income poverty rate to about 50 percent, or 2.7 billion people. Moving the poverty line in this way draws in a large number of people who are potentially vulnerable to poverty and reduced circumstances.\textsuperscript{32}

In 2013, the poverty rate (at $2.50) in Latin America was around 28.1 percent of the population. Extreme poverty stood at 11.7 percent. These percentages are equivalent to 165 million persons in poverty, of which 69 million are extremely poor.\textsuperscript{33} What is particularly troubling is the fact that in 2012, the extreme poverty rate was 11.3 percent. This means that in a year, the numbers in extreme poverty rose by 3 million people.\textsuperscript{34} An analysis of income poverty provided by The Economic Commission for Latin America and the Caribbean reveals that poverty rates in 2013 remained similar to those of 2011 and 2012, which is a sign that the process of poverty reduction which manifested in the region over the past decade has stagnated.\textsuperscript{35}

\textsuperscript{34} Ibid.
\textsuperscript{35} Ibid.
Furthermore, rates of extreme poverty show a similar pattern. The number of indigent people has begun to trend upwards.\textsuperscript{36}

One of the factors affecting development in Latin America has been the introduction of neoliberalism. Soo Chon describes the effect of neoliberal policies on many states by focusing on Nicaragua. Since the late 1980s, the Nicaraguan government’s monetarist policies brought unintended outcomes of inflation, while Nicaraguan’s salaries were stagnant since the early 1990s. The neo-liberal governmental policies led to high unemployment rates and poverty, and as a result, over 70 percent of the population in Nicaragua lived under the poverty line.\textsuperscript{37} As columnist Paul Bonicelli put it, “the average Nicaraguan still suffers from levels of deprivation and poverty comparable to those faced by Haiti’s worse off.”\textsuperscript{38} In similar fashion neo-liberal policies in Mexico started during the Salinas regime (1988-1994). Over 75 percent of the total population in Mexico was subject to poverty in 2000. Mexico was one of the countries showing the least improvement in the UNDP’s Human Development Index (HDI). The income per capita improved by only 1.3 percent for the 13-year period between 1990 and 2003.\textsuperscript{39}

In October 2009, a conflict began unfolding over the closure of energy company Luz y Fuerza del Centro de Mexico which lasted more than a year. While the first protests began in Mexico City, the conflict grew to national scale in the context of the struggle of the Mexican Electrical Workers Union (SME). Given the conflict’s broad scope of protests, the support it received, its radicalization, and duration, it was one of Mexico’s most important social conflicts

\textsuperscript{36} Ibid.
\textsuperscript{37} Don Soo Chon “Contributing Factors for High Homicide Rate in Latin America: A Critical Test of Neapolitan’s Regional Subculture of Violence Thesis” Department of Criminal Justice, Keiser University, 26, (2011): 301.
\textsuperscript{38} Paul Bonicelli, “Some Sandinistas Never Change” Foreign Policy, April 7, 2015, accessed April 10, 2015.  
https://foreignpolicy.com/2015/04/07/ortega-nicaragua-lavrov-russia/
between 2009 and 2010. The approximately 44,000 left unemployed by the closure of the company were joined by their families and allied organizations and unions in expressing their repudiation of the decree that closed the company.

Ironically, according to Foreign Policy’s Dana Frank, the very institutions which were established to help alleviate poverty, are unwittingly contributing to increased levels of deprivation and human suffering. For example, in early December 2014, the International Monetary Fund (IMF) announced a new $188.6 million loan to Honduras and the Inter-American Development Bank (IDB) offered a loan of $110 million. Together, the loans were intended to strengthen Honduras’ near-bankrupt government but this was done at the expense of government workers by explicitly mandating layoffs and privatizations, including selling off the state-owned telephone and electrical companies and the port. Thus just as the loans were announced, the Honduran government declared that in 2015 it planned to dismiss 7,000 more public workers, as part of a 30 percent reduction of expenditures.

Between 2008 and 2013, Human Development Index values for Latin America overall were retracting while average annual growth dropped by half. These worrisome developments circle back to ever expanding income disparity and the negative effect it has had on GDP growth rates. The 2014 HDR further attributed the slowdown to the global financial and economic crisis which began unfolding in 2008, the effects of which I have already noted. Finally, Oxfam

40 United Nations Development Programme: Understanding Social Conflict in Latin America
41 Ibid.
42 Dana Frank, “Just Like Old Times in Central America” Foreign Policy, March 9, 2015, accessed April 10, 2015.
43 Ibid.
44 Human Development Report 2014
notes that tax regimes in Latin America remain regressive and governments fail to collect enough tax as a share of GDP. They also continue to permit unacceptable levels of tax evasion.  

**Political Conflict over Social and Economic Conditions**

Alexander Main explains that over the last fifteen years, much of the region has experienced a steady chain of political eruptions as a number of left movements have come to power through elections. Once in office, they have radically revised their country’s domestic and foreign policy agendas and, in several cases, their nation’s constitutional frameworks.

Main goes on to note that in the late 1980s, as the Cold War era of U.S.-backed military dictatorships came to an end, many of the region’s traditional left parties were in disarray and began swinging to the right, and conservative governments increasingly adopted neo-liberal economic “reforms” promoted and often imposed by the United States and the International Monetary Fund (IMF). These policies included the privatization of state enterprises, the deregulation of labor and financial markets, and the removal of trade barriers.  

Reforms failed to have the positive, “trickle-down” effects that policymakers promised and instead resulted in a dramatic decline in economic growth throughout the region and increased poverty and income inequality.

The mid-1990s marked an epoch of grassroots rebellion throughout Latin America. The first eruption broke out in Chiapas in southern Mexico, where an armed indigenous “Zapatista” movement declared its autonomy from the Mexican state in dozens of communities on January 1, 1994, the day that the North American Free Trade Agreement came into effect. Another bout of

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45 Oxfam 2014 Report on Inequality  
http://www.oxfam.org/  
47 Ibid.  
48 Ibid.
conflict occurred in 1999 when a former lieutenant colonel who had led a failed military coup seven years earlier was elected president of Venezuela on a platform of opposition to neoliberalism and the country’s corrupt and highly unpopular two-party system. Once in power, Hugo Chávez declared the country’s 1958 constitution “moribund” and organized elections for a constituent assembly.49

Venezuela’s “Bolivarian Revolution” strengthened left movements throughout the region and was followed by a wave of left-wing electoral victories in neighboring countries. In Bolivia, social movements that had coalesced during the 2000 anti-neoliberal water war and the 2003 gas war helped bring Aymara coca grower leader Evo Morales to power in the country’s 2005 elections.

In April 2000, a popular struggle against water privatization in Cochabamba, Bolivia’s third largest city, ignited a chain of events that altered the nation’s political landscape. The Water War was precipitated when SEMAPA, Cochabamba’s municipal water company was sold to a transnational consortium controlled by U.S.-based Bechtel in exchange for debt relief for the Bolivian government and new World Bank loans to expand the water system. A new law allowed Bechtel to administer water resources that SEMAPA did not even control, including the communal water systems prevalent in the southern periphery and the countryside, which had never been hooked into the grid. Local farmer-irrigators feared that “even the rain” collected and distributed for centuries by their associations would fall within Bechtel’s grasp.50

These concerns along with a 50 percent average increase in water rates for SEMAPA customers, led to the formation of a broad alliance of farmers, factory workers, rural and urban water committees, neighborhood organizations, students and middleclass professionals in

49 Ibid.
50 nacla.org, accessed April 24, 2015
https://nacla.org/blog/2013/6/5/water-wars-water-scarcity-bolivia%E2%80%99s-cautionary-tale
opposition to water privatization. They were joined by the militant federation of coca growers from the Chapare, led by then labor leader Evo Morales, who lent his extensive expertise in organizing civic strikes, road blockades, and massive popular assemblies. Eventually, Bechtel was forced to abrogate its contract, return SEMAPA to public control, and withdraw its legal claim against the Bolivian government for $50 million in compensation.51

This iconic struggle crystallized a growing demand for popular control of Bolivia’s natural resources, leading to the Gas War of 2003, the overthrow of two neo-liberal presidents, Gonzalo Sanchez de Lozada and Carlos Mesa, and the subsequent election of Evo Morales and the MAS (Movement Towards Socialism) party as a “government of the social movements.”52

With respect to the first gas war in 2003, in what would become known as “Black October,” President Gonzalo de Lozada violently repressed indigenous citizens who were protesting his plan to export cheap natural gas to the United States through Chilean ports. The episode sparked the “Gas War” that eventually led to President de Lozada’s removal from office.53

In 2005, the fight for control of Bolivia’s extensive natural gas resources led to massive indigenous-led protests – this time against the government of Morales. The indigenous communities called for the nationalization of the country’s natural gas industry. Tens of thousands of people blockaded roads in and out of the capital La Paz, while protesters in the militant city of El Alto blockaded highways connecting the capital to the rest of the country and to the Peruvian and Chilean borders.54 There were also confrontations with police who used

51 Ibid.
52 Ibid.
53 nacla.org, accessed April 24, 2015
https://nacla.org/blog/2013/11/8/bolivia%E2%80%99s-black-october-ten-years-later
54 Democracy Now, accessed April 24, 2015
http://www.democracynow.org/2005/5/25/beyond_the_gas_war_indigenous_bolivians
rubber bullets and water cannons on the demonstrations. The indigenous groups accused President Morales of selling out and engaging in unnecessary compromises. The groups demanded total nationalization of the country’s natural gas industry and a rewriting of the constitution, demands that had significant popular support. Morales answered by proposing a heavy taxation on foreign companies exploiting Bolivia’s gas. In May, 2005, Bolivia’s Senate passed a hydrocarbon law that taxed foreign companies 50 percent of their profits from Bolivia.\footnote{Ibid.}

For decades, instability has been a major issue in the Latin American region as evidenced by the constant state of political turnover. Left-wing economist Rafael Correa was elected president of Ecuador in 2006. In Nicaragua, Sandinista leader Daniel Ortega was reelected president seventeen years after being voted out of office, while in El Salvador the former leftist guerilla group Farabundo Martí National Liberation Front (FMLN) won the country’s 2009 and 2014 presidential elections. Left candidates also won decisively in Brazil, Argentina, Uruguay, and Paraguay.\footnote{Alexander Main “Honduras: The Deep Roots of Resistance,” Politics Abroad (2014): 12.}

These examples highlight the fact that political shakeups and social conflicts are interrelated. In a study conducted by Laura Rodriguez Takeuchi on the popularity of redistribution, it was found that perceptions of social conflict have a strong influence on people’s demand from their political leaders for redistribution, even stronger than the effect on perceptions of fairness and social mobility.\footnote{odi.org http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8910.pdf} Moreover, this increase in social tension has been found to act as a barrier for the strengthening of democratic institutions and a source of political instability.\footnote{Ibid.}

\footnote{Ibid.}
**Crime in Latin America**

Despite the high levels of human development achievements, many Latin Americans feel threatened by rising rates of homicide and other violent crimes. Perhaps no other aspect of human security is so vital to people as their security from physical violence, which can derail the perceived value of human progress.\(^{59}\)

*Figure 2.1 Fear of Being Victim of Crime 2007-2010*

Citing a 2010 Poll conducted by Chilean-based polling firm Latinobarómetro which covered a wide range of topics in Latin America ranging from the state of the economy to politics and foreign affairs, the Brookings institute highlights the anxieties surrounding crime in

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\(^{59}\) Human Development Report 2014  
Latin America. Only 1 in 10 claims not to fear the possibility of being the victim of a crime (figure 2.1).\textsuperscript{60} The reason for such omnipresent fear is plain to see. Latin America’s murder rate is more than three times as high as the murder rate for the world as a whole. Furthermore, as Latinobarómetro has often reported, roughly one third of the region’s population, approximately 200 million people, are victims of a criminal deed (figure 2.2), either directly or in their immediate family, every year.\textsuperscript{61} Brookings aptly describes this as a social calamity by any standard and one that can only be expected to have political consequences.

\textbf{Figure 2.2 Have You Been the Victim of a Crime? 1995-2010}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.2.png}
\caption{Have You Been the Victim of a Crime? 1995-2010}
\end{figure}

\textsuperscript{60} The Brookings Institute
http://www.brookings.edu/research/opinions/2010/12/13-latin-america-poll-casaszamora

\textsuperscript{61} Ibid.
The perception of insecurity is very high in Latin America. A third of the region’s population believe they could be a victim at any moment while a further third think this could happen sometimes and 21 percent occasionally. Even though the number of victims may have dropped in some countries over the years, the perception of insecurity is overwhelming.  

Magaly Sanchez argues that in Latin American countries, especially, the conditions of poverty and social urgency are severe, precluding millions of young people from formal participation in society while simultaneously and perversely pushing them closer to radical actions, crime, and death. 

Kidnapping and demanding money for release is a common social problem in Colombia, Venezuela, Mexico, and Brazil. It generates significant profits for abduction rings, with the quantity demanded per kidnapping at an average of $180,000 in 2006. From 2000 to 2002, a total of thirty-four persons were kidnapped in eleven regions of Venezuela, and only seven of the victims were ever freed. Sanchez details one account where one prominent Venezuelan businessman was freed only after extensive negotiations with one of Colombia’s most powerful paramilitary groups, and the payment of a large sum of money, completely bypassing the formal relations of power and security offered by the nation-state. Sanchez goes on to charge that such a paramilitary triumph over the state only encouraged additional kidnapping which subsequently became more frequent. Sanchez also argues that it is poverty that also forces peasants to

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62 Latinobarómetro Corporation


64 Ibid., 184.

65 Ibid.

engage in cultivation of coca leaves because it offers them better incomes than do traditional agricultural products. 

Sanchez explains that the social expression of violence in Latin America occurred in three historical moments, each characterized by its own form of violence. First came *structural violence*, the rampant economic inequality, social exclusion, and persistent poverty arriving from the imposition of neoliberal economic policies. In response came two other kinds of collective violence, one political and the other criminal. During the post-Cold War era, as the urgency of circumstances facing middle- and working-class people increased, many turned to radical violence, leading to successive waves of strikes, demonstrations, and insurrections throughout the region. At the same time, the situation of the poor and the young deteriorated, and many of them turned to criminal violence in the form of youth gangs, criminal mafias, and drug cartels. 

Further illustrating the point, Honduras has been labeled by the United Nations as the world’s most dangerous country with 90 to 95 murders per 100-thousand people. Honduras, along with El Salvador and Guatemala are part of Central America’s Northern Triangle where cocaine trafficking has become the dominant illegal market. These countries have also been experiencing unprecedented corruption.

Honduras leads the way on Transparency International’s 2014 Corruption Perceptions Index as it ranks 126 out of 175 nations. Guatemala and El Salvador follow with rankings of 115

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and 80 respectively.\textsuperscript{71} As figure 2.3 illustrates, the Central American triumvirate is described as the most violent nations in the world that are not currently at war.\textsuperscript{72} Throw Jamaica in the mix and Latin America and the Caribbean account for 27 percent of the world’s homicides; a terrifying number considering the four nations referenced above only account for 8.5 percent of the world’s population.\textsuperscript{73}

**Figure 2.3 Homicide Rate per 100,000 people in Latin America and the Caribbean, 2012**

Source: The Tico Times News, April 14, 2014


Crime imposes a heavy toll on society. Crime victims not only incur out-of-pocket expenses such as stolen or lost property, medical costs, and lost wages, but they also bear the cost of pain, suffering, and fear.⁷⁴ Social Panorama of Latin America, a study conducted by the Economic and Social Council of Latin America (ECLAC), notes that the territorial distribution of violence is uneven with its manifestations being differentiated particularly in urban areas, where deprived sectors become the setting for violence. Shanty towns and slum areas are characterized not only by poverty, but by violence, and this is a burden that reproduces and exacerbates social exclusion. The stigmatization of the young in these areas for their supposedly violent way of life represents a breakdown in solidarity and a denial of dignity.⁷⁵

Gangs emerged as a direct effect of what has been described as structural violence, people’s exclusion and marginalization from the development of society. The ECLAC study notes that specialists in youth issues have been arguing for decades that gangs are organizations that provide Latin American youths with a form of social inclusion; when all there is are poverty, very limited employment options and a near-absence of the state and institutions in general…⁷⁶ In some countries, such as those of Central America and Mexico, the cartels are increasingly tending to use gangs to “outsource” abduction and contract killing activities, particularly when they come into conflict with one another and have to find more recruits quickly and at lower cost. Cocaine trafficking in the region has played a key role as a driver of conflict and a multiplier of violence.⁷⁷ ECLAC’s study further advances that territorial inequality in a city makes criminal organizations very attractive for the part of the population that is being excluded

⁷⁶ Ibid.
⁷⁷ Ibid.
from established mechanisms of social participation. To be able to solve this problem, it is important to understand the corrupt ties that criminal organizations have developed with the various state political, police and judicial authorities, but also the links they establish with local communities themselves and the degree of support and protection they receive from the population where they hold sway.78

Crime and insecurity can be detrimental to democratic quality by directly undermining interpersonal trust, and hence the development of social capital. The strength of such social fabric is threatened when security crises cause individuals to experience a drop in interpersonal trust and those dynamics can fuel or be aggravated by additional erosion in trust in political institutions and state law enforcement.79

Of the world’s 50 most dangerous cities, 43 are located in Latin America and the Caribbean.80 With the exception of Cape Town South Africa, the 20 most violent cities are in Latin America and the Caribbean.81 Of the 50 urban areas with the highest homicide rates, 16 are located in Brazil, nine in Mexico, six in Colombia, and five in Venezuela. San Pedro Sula in Honduras was ranked the most violent city in the world for the third consecutive year followed by Caracas, Venezuela and Acapulco, Mexico.82

Various Latin American countries have seen a substantial increase in the size of their drug markets, leading to organized criminal activity. Brazil is now the world’s second largest market for cocaine and its derivatives, after the United States, while Argentina, Peru and

78 Ibid.
79 Vanderbilt.edu
81 Ibid.
82 Ibid.
Colombia have also seen significant growth in their domestic markets in recent years. As local criminal groups emerge to supply local markets, turf wars over transport and sales territory can lead to spikes in murder rates. This is one of the factors driving homicide in Brazil, which has seen the domestic drug trade expand beyond Rio de Janeiro and São Paulo and into the rest of the country. Gangs have spread to the northern and northeastern regions of Brazil, home to several of the cities on the 50 Most Dangerous Cities list including Salvador (#13), Natal (#12), João Pessoa (#9), and Fortaleza (#7).

The fall of major drug kingpins in Latin America in the last several years has caused criminal organizations to splinter into smaller factions. Without the manpower to carry out large-scale transnational drug trafficking operations, these smaller groups typically turn to more localized, and often more violent criminal activities, like kidnapping and extortion. Countries that serve as drug transit nations tend to see high rates of violence and crime. To facilitate drug shipments through a country, transnational criminal organizations typically hire local groups to guard and transport the shipments, and sometimes pay them in drugs. This can spur the development and increased sophistication of local gangs, as well as the growth of domestic drug markets. Transnational criminal organizations also set up operations in transit nations to oversee drug trafficking, and bring violence with them.

Conflict and the legacy of war is another dynamic which explains the level of danger and violence in the region. Civil wars in El Salvador, Guatemala, and Nicaragua helped give rise to Central America’s gangs. MS13, one of the region’s largest and most powerful street gangs, was founded in Los Angeles in the 1980s by Central American refugees fleeing armed conflict. When the United States government deported these refugees, in the late 1990s and early 2000s,

83 Ibid.
84 Ibid.
85 Ibid.
those involved in criminal groups transformed the war-torn Northern Triangle region into a central part of gang activity.\textsuperscript{86}

According to the United Nations Development Programme (UNDP), Latin America is the only region in the world where murder rates increased in the first decade of this century. Robberies have nearly tripled over the past 25 years and extortion is rapidly expanding.\textsuperscript{87} There are a number of factors which explain the crime affliction on Latin America. The external demand for cocaine and attempts to suppress the drug trade, prompted the spread of organized criminal mafias. Growth in domestic consumption of drugs has since compounded the problem. A bulge in the number of young men, many of whom are poorly educated and command low wages in the legal economy, is another factor. So is income inequality. The ubiquity of firearms means that crime is often violent.\textsuperscript{88} Organized crime and other gang-related activity accounts for 30 percent of killings in Latin America (up from 25 percent reported in UNDP’s 2011 Global Study on Homicide).\textsuperscript{89}

In Latin America, patterns of criminal fragmentation, diversification, and migration coalesce to produce extreme violence. Insight Crime points out that not only do criminal organizations engage in ultra-violent wars against rivals, the organizations themselves are engulfed in internecine conflicts as competing factions attempt to establish control over criminal empires. Such conflict and fragmentation can be exacerbated by government tactics, and with

\begin{flushright}
\textsuperscript{86} Ibid. \\
\textsuperscript{88} Ibid. \\
\end{flushright}
Mexican cartel’s decapitation policy a key factor in the chaos and bloodletting seen within criminal organizations in recent years.\(^90\)

Widespread corruption and impunity have led to a complete breakdown of the rule of law in wide swaths of Latin America. This was made painfully clear on September 26, 2014 when 43 students went missing and were subsequently killed in Iguala, Mexico. The students were allegedly taken off of a bus by police and handed over to one of the gangs, reported to be Guerreros Unidos. The mayor of Iguala and his wife allegedly ordered the attacks. Intelligence reports indicated that 12 mayors from the state of Guerrero where the students went missing may have links to organized crime.\(^91\) In 2013, Guerrero State had the highest murder rate in Mexico.\(^92\) Over the last 8 years across Mexico, more than 20,000 people have disappeared.\(^93\)

Linked to the prevalence of organized crime-related killings is the dreadful conviction rate for murder cases, with just 24 percent of reported homicide in the region resulting in a conviction; little more than half the global average of 43 percent and less than a third of the 81 percent conviction rate enjoyed in Europe.\(^94\) The lower clearance rate, stretched police forces and corruption, are primary factors in the prevalence of organized crime-related killings. Though police corruption is widespread throughout the region, in impoverished drug transit countries such as Honduras, police corruption is particularly acute, where criminal elements easily bribe officials to look the other way.

\(^{90}\) Ibid.
\(^{93}\) Ibid.
Efforts to provide any sort of social stability have been taking place in fits and starts. In the case of El Salvador’s tenuous gang truce, there was early optimism over some of the pioneering programs implemented to integrate gang members into society. However, providing enough jobs for the country’s thousands of gang members proved to be an impossible task to achieve overnight, while public unrest began to simmer over the focus on preventing murders while extortion and other crimes were continuing and perhaps even increasing. The criticism leveled against the Police Pacification Unites (UPPs) in Brazil has been the failure to follow up on security guarantees and promised social programs. Spikes in violence have led to complaints that authorities have not kept their word in the aftermath of police actions to enter slums.\textsuperscript{95}

\textsuperscript{95} Ibid.
Chapter 3

Case Study Profiles: Most Unequal and Least Unequal Latin American Nations

COLOMBIA

Colombia has a population of 46 million people\(^1\) and a Gini index measurement of 53.5 as of 2012,\(^2\) the most recent measurement available. Colombia is Latin America’s most unequal country. In fact, according to the CIA World Factbook, in Colombia, income inequality is among the worst in the world and more than a third of the population lives below the poverty line.\(^3\) For decades, Colombia has struggled with combating narcotrafficking and fending off paramilitary groups including the well-known and powerful Revolutionary Armed Forces of Colombia (FARC). It should be noted that the FARC, among other guerilla groups, primarily fund their campaigns through the sale of narcotics.

The two-front war of battling paramilitary groups and organized crime that Colombia has been engaged in has led to displacement on a massive scale. Colombia is the largest source of Latin American refugees in Latin America, with a staggering 400,000 living primarily in Venezuela and Ecuador.\(^4\) Forced displacement remains prevalent because of violence among guerillas, paramilitary groups, and Colombian security forces. Afro-Colombian and indigenous populations are disproportionately affected. Citing NGO figures, the CIA World Factbook indicates that an estimated 5.2 million people have been displaced since 1985, while the

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\(^1\) CIA World Factbook, accessed March 27, 2015  

\(^2\) The World Bank, accessed March 27, 2015  
http://data.worldbank.org/indicator/SI.POV.GINI

\(^3\) CIA World Factbook  

\(^4\) Ibid.
Colombian government estimates 3.6 million since 2000.⁵ Historically, Colombia has one of the world’s highest levels of forced disappearances. About 30,000 cases have been recorded over the last four decades, although the number is likely to be much higher when human rights activists, trade unionists, Afro-Colombians, indigenous people, and farmers in rural conflict zones are all taken into account.⁶ On the other hand, once regarded as one of the most unsafe places in the world, Colombia has rebounded from the level of violence seen in the 1980s and early 1990s. Over the last decade, Colombia’s homicide rate has been reduced by more than half; declining from a 2001 rate of 68.6 murders per capita to 31.8 in 2013.⁷

Despite a number of social hurdles Colombia attempts to adroitly navigate, the country remains on economically sound footing due to aggressive policy measures which have centered on free trade agreements. Real GDP has grown more than 4 percent per year for the past three years, continuing almost ten years of strong economic performance.⁸ Moreover, over the course of the past decade, GDP growth has averaged 4.45 percent resulting in an increase of $233 billion,⁹ up from $94.68 billion at purchasing power parity in 2003.¹⁰ Colombia depends heavily on energy and mining exports, making it vulnerable to a drop in commodity prices. The nation is the world’s fourth largest coal exporter and Latin America’s fourth largest oil producer.¹¹

Economic development has been slowed by inadequate infrastructure and an uncertain security situation.

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⁵ Ibid.
⁶ Ibid.
The rapid weakening of the peso in 2013 made Colombian exports more competitive. However, a large share of Colombia’s commodity-led economy which also exports coffee remains informal, and rural poverty is still widespread despite fast urban expansion. In addition, the nation’s unemployment rate remains one of Latin America’s highest, estimated at 9.7 percent in 2013. Colombia’s gross national per capita income is $11,100 a year as of 2013, the most recent figure available.

The 2013 Global Democracy Ranking has Colombia ranked 54 out of 115 countries with a score of 57.5. Colombia has taken pride in maintaining an open and free society characterized by strong democratic institutions exemplified by peaceful, transparent elections and the protection of civil liberties. Colombia’s 2014 ranking on Transparency International’s Corruption Perceptions Index was 94 out of 175. At 98 out of 187 countries, Colombia is considered as ranking high on human development.

BRAZIL

Brazil is South America’s largest country in area and population and Latin America’s second most unequal nation with a Gini index measurement of 52.7 as of 2012, the most recent measurement available. In 2001, Goldman Sachs economist Jim O’Neill bracketed Brazil with

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14 Ibid.
15 Global Democracy Ranking, accessed March 26, 2015 http://democracyranking.org/wordpress/?page_id=738
16 Transparency International https://www.transparency.org/cpi2014
Russia, India and China to form the BRIC which would dominate world economic growth over the coming decades.\textsuperscript{19} With 203 million people,\textsuperscript{20} Brazil is South America’s leading economic power and regional leader. In 2012, Brazil had a Gross Domestic Product (GDP) of US $ 2.253 trillion, propelling the nation into becoming the world’s seventh wealthiest economy.\textsuperscript{21} Brazil accounts for 40 percent of Latin America’s GDP.\textsuperscript{22} In addition, Brazil is now the world’s second-largest emerging market behind China.\textsuperscript{23} Well-funded public pensions have nearly eradicated poverty among the elderly, and Brazil’s social programs including Bolsa Familia, (a social security program that provides financial support to low income families) have lifted tens of millions out of poverty. Between 2001 and 2011, roughly 37 million people joined the ranks of the middle class.\textsuperscript{24} The 2013 Global Democracy Ranking has Brazil ranked 44 out of 115 countries with a score of 63.8, reflecting the quality of the nation’s democracy.\textsuperscript{25} Brazil has high human development, ranking 79 out of 187 countries.\textsuperscript{26} More than half of Brazil’s population is considered middle class, but poverty and income inequality levels remain high. In the Northeast, North, and Center-West, women, and black, mixed race, and indigenous populations are

\textsuperscript{19}“So near yet so far” \textit{The Economist}, September 9, 2010
\url{http://www.economist.com/node/16964114}

\textsuperscript{20}CIA World Factbook
\url{https://www.cia.gov/library/publications/the-world-factbook/geos/br.html}=

\textsuperscript{21}The World Bank
\url{http://www.worldbank.org/en/country/brazil/overview}

\textsuperscript{22}“So near yet so far” \textit{The Economist}, September 9, 2010
\url{http://www.economist.com/node/16964114}

\textsuperscript{23}World Economic Forum Global Agenda Outlook 2014
\url{http://www.weforum.org/reports/outlook-global-agenda-2014}

\textsuperscript{24}Antônio Sampaio, “The Political Hangover from Brazil’s World Cup Defeat” \textit{Foreign Policy}, July 12, 2014, accessed March 29, 2015.
\url{http://foreignpolicy.com/2014/07/12/the-political-hangover-from-brazils-world-cup-defeat/}

\textsuperscript{25}Global Democracy Ranking, accessed March 26, 2015
\url{http://democracyranking.org/wordpress/?page_id=738}

\textsuperscript{26}United Nations Development Programme
\url{http://hdr.undp.org/en/countries}
disproportionately affected.\textsuperscript{27}

According to the CIA World Factbook, in Brazil, disparities in opportunities foster social exclusion and contribute to Brazil’s high crime rate, particularly violent crime in cities and favelas.\textsuperscript{28} In the first half of 2014 in Rio state alone there were 1,459 people killed.\textsuperscript{29} Brazil’s overall homicide rate in 2013 was 26.5 per 100,000 inhabitants.\textsuperscript{30} The World Bank states that as previously noted Brazil experiences extreme regional differences, particularly in social indicators such as health, infant mortality and nutrition. The South and Southeast regions enjoy far better indicators than the poorer North and Northeast.\textsuperscript{31}

Poverty has fallen from 21 percent of the population in 2003 to 11 percent in 2009. Extreme poverty also fell from 10 percent in 2004 to 2.2 percent in 2009.\textsuperscript{32} Between 2001 and 2009, the income growth rate of the poorest 10 percent of the population was 7 percent per year, while that of the richest 10 percent was 1.7 percent. This helped reduce income inequality to reach a 50-year low of 0.519 in 2011.\textsuperscript{33}

Despite the progress Brazil has made in reducing inequality and lifting many out of poverty, the country continues to face economic headwinds. According to a 2014 report released by the Brazilian Institute of Geography and Statistics (IBGE), the average monthly income for

\begin{footnotesize}
\begin{enumerate}
\item CIA World Factbook
\item Ibid.
\item United Nations Office on Drugs and Crime
https://data.unodc.org/#/state:1
\item The World Bank
\item Ibid
\item Ibid.
\end{enumerate}
\end{footnotesize}
Brazilians in 2012 was $850. In October 2014, Brazil’s trade deficit widened to $1.1 billion, leading to a nearly end of year trade deficit of $1.8 billion. To make matters worse, a report released on November 5, 2014 revealed that the ranks of desperately poor Brazilians, unable to afford enough calories to avoid malnutrition, drastically increased by 371,000 between 2012 and 2013 to 10.4 million. A November 2014 article in the Economist explained that experts attributed the rise in extreme poverty to sagging output, which affects incomes, and high inflation, which eats into them. Worse still, forecasters predict that Brazil’s economy may not grow at all in 2015 leading to a drop in GDP per person. Brazil’s gross national per capita income is about $11,690 a year.

Brazil’s economic slowdown and a massive corruption scandal involving its state-run oil company Petrobras, has led to a loss of confidence in the nation’s president, Dilma Rousseff. A survey conducted by polling firm MDA revealed that Rousseff’s personal approval rating dropped to 18.9 percent from 55.6 percent in September 2014, while 77.7 percent of respondents said they disapproved of her leadership versus 40.1 percent in a survey the polling firm had previously conducted. It is not difficult to see why President Rousseff suffers from such low approval ratings. A water crisis is leaving many residents of São Paulo, Brazil’s largest city, literally thirsting for any water they can find. A January 2015 blackout in 11 states alarmed

36 Ibid.
37 Ibid.
38 Ibid.
Brazilians and raised fears of rationing. Also troubling is that Rousseff’s administration has hinted at proposed hikes in energy prices. The Brazilian currency, the real, has fallen since Rousseff’s October 2014 re-election, reaching its lowest value against the dollar in more than 10 years. Brazil ranks 69 out of 175 on Transparency International’s 2014 Corruption Perceptions Index.

**URUGUAY**

With a Gini index measurement of 41.3 as of 2012, Uruguay comes in as the least unequal country in Latin America. Uruguay’s political and labor conditions are among the freest on the South American continent. The nation’s position on the 2013 Global Democracy Ranking reflects this as the country has a ranking of 23 out of 115 nations with a score of 73.0. Furthermore, the country ranks extremely high on Transparency International’s Corruption Perceptions Index with a ranking of 21 out of 175 countries. Uruguay has a population of 3.3 million people and rates high for most development indicators. The country has a ranking of 50 out of 187 countries on the Human Development Index. Uruguay is known for secularism, liberal social laws, and well-developed social security, health, and educational systems. The

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42 Ibid.
43 Transparency International https://www.transparency.org/cpi2014
44 The World Bank http://data.worldbank.org/indicator/SL.POV.GINI
45 Global Democracy Ranking http://democracyranking.org/wordpress/?page_id=738
46 Transparency International https://www.transparency.org/cpi2014
CIA World Factbook states that Uruguay is one of the few countries in Latin America and the Caribbean where the entire population has access to clean water. The country’s provision of free primary through university education has contributed to the nation’s high levels of literacy and educational attainment. The country has a free market economy characterized by an export-oriented agricultural sector, a well-educated work force, and high levels of social spending.

According to the World Bank’s opportunity index, Uruguay has a high level of equality in terms of access to basic services such as education, potable water, electricity, and sanitation. In July 2013, the World Bank ranked Uruguay as a high income country with a gross national income per capita of $13,580. According to the Bank, the nation’s good macroeconomic performance was reflected in the labor market, which recorded unprecedented low unemployment levels in 2013 at 6.3 percent. In addition, aggressive economic expansion and the implementation of social policies have led to substantial progress in poverty reduction; poverty levels went from 3.9 percent in 2004 to 11.5 percent in 2013, while extreme poverty was reduced from 4.7 percent in 2004 to 0.5 percent in 2013. Daniel Olesker, Uruguay’s Minister of Social Development, said in 2013 that the nation had met its Millennium Development Goal (MDG) of reducing poverty. Olesker reported that poverty (based on household income) had dropped by half since 1990, exceeding the MDG target.

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49 CIA World Factbook
50 Ibid.
51 The World Bank
52 Ibid.
53 Ibid.
54 Ibid.
http://presidencia.gub.uy/comunicacion/comunicacionnoticias/objetivos+-desarrollo-del-milenio
Unfortunately, it is not all a bed of roses for Uruguay. As Foreign Policy’s Debbie Sharnak reports, the chink in Uruguay’s armor lies in its treatment of Uruguayans of African origins. Though Afro-Uruguayans make up 8 percent of the country’s population, 27.2 percent of them live below the poverty line, more than double the poverty rate of the country as a whole at 12.4 percent.\(^56\) Moreover, almost half of Afro-Uruguayans only complete primary school (45 percent of men and 42 percent of Afro-Uruguayan women), and only 5.7 percent attain a university or postgraduate degree.\(^57\) Afro-Uruguayans have less access to education, which leads to lower wages and higher unemployment rates among the minority group. The unemployment rate among Afro-Uruguayans is 14 percent, which in 2014 was 3 points higher than the overall unemployment rate.\(^58\) Uruguay does not see the level of violence prevalent in other parts of the Latin American region. The nation’s 2013 homicide rate stood at 7.7 per capita, one of the lowest in all of the Americas.\(^59\)

**El Salvador**

With a Gini index measurement of 41.8 as of 2012,\(^60\) El Salvador ranks just behind Uruguay as one of Latin America’s least unequal countries. The Central American nation has a population of 6 million\(^61\) and is the smallest country in Central America geographically. El


\(^{57}\) Ibid.

\(^{58}\) Ibid.

\(^{59}\) United Nations Office on Drugs and Crime (UNODC) 
https://data.unodc.org/#state:1

\(^{60}\) The World Bank 
http://data.worldbank.org/indicator/SI.POV.GINI

\(^{61}\) CIA World Factbook 
Salvador has the fourth largest economy in the region. A 12-year civil war, which cost an estimated 75,000 lives, concluded in 1992 when the government and leftist rebels signed a treaty that provided for military and political reforms. Since the end of the conflict, El Salvador has made significant progress towards consolidating peace and democracy. With a score of 60.1, the country ranks 47 out of 115 countries on the 2013 Global Democracy Ranking.

Since 2009, the height of the global recession, El Salvador has struggled to catch up economically with real GDP averaging less than 2 percent from 2010 to 2013. Remittances accounted for 16 percent of GDP and were received by approximately a third of all households. The effect of the global financial crises resulted in a drop in exports and remittances, higher levels of unemployment and rising food and energy prices. Between 2007 and 2008, the percentage of people in poverty increased from 34.6 percent to 40 percent. Citing statistics presented by the Ministry of Economy of El Salvador, the World Bank notes that in 2012, the poverty rate was 34.5 percent, a figure that decreased to 28.9 percent, in 2013. El Salvador’s gross national per capita income was $7,500 in 2013. In September 2013, El Salvador was awarded a $277 million second compact with the Millennium Challenge Corporation (MCC), a United States Government agency aimed at stimulating economic growth and reducing poverty, as well as improving competitiveness and productivity in international markets. According to

62 CIA World Factbook
63 Ibid.
64 Global Democracy Ranking
http://democracyranking.org/wordpress/?page_id=738
65 CIA World Factbook
66 The World Bank
67 CIA World Factbook
68 Ibid.
U.S. data, in the postwar era, El Salvador has been the biggest recipient of U.S. aid in Central America.\(^69\)

El Salvador is slowly attempting to climb out of an economic malaise. However, crime and violence remain a challenge, threatening social development and economic growth and negatively affecting the quality of life of its citizens. After sharp and sustained increases in the levels of violent crime since 2000, the murder rate peaked at 71 homicides per 100,000 inhabitants in 2009, declining slightly to 69, in 2011.\(^70\) An ongoing truce between rival street gangs has further reduced homicide rates in El Salvador since the pact began in March of 2012 to 36.9 homicides per 100,000 inhabitants by the end of 2013.\(^71\) However, in 2014, the number of murders jumped by nearly 60 percent to an average of 12 killings a day as the truce between the country’s most powerful gangs collapsed.\(^72\) El Salvador has medium human development, with a ranking of 115 out of 187 countries.\(^73\)

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http://www.reuters.com/article/2014/09/19/us-usa-elsalvador-idUSKBN0HE04120140919

\(^70\) The World Bank

\(^71\) Ibid.

http://www.reuters.com/article/2015/01/22/us-el-salvador-violence-idUSKBN0KU2SV20150122

\(^73\) United Nations Development Programme
Chapter 4

Relationship between Poverty and Inequality and Protests and Crime

Background

According to a study conducted by the Brookings Institute and released in June, 2014, Latin America exemplifies a region where a significant portion of individuals are willing to engage in civic participation. The report by Brookings revealed that roughly one in six of the 66,000 respondents to their survey reported to have participated in an authorized protest.\(^1\) What the study further uncovers counters the hypothesis of this paper which suggests a correlation between poverty and inequality and social conflict. The analysis by Brookings indicates that of those willing to participate in social movements, individuals most likely to protest are middle age or older, have above average levels of education (12 years and above), and have above average levels of income (figure 4.1).\(^2\)

It is important to note that while conducting its study, the Brookings Institute encountered the same problem I have faced while composing this report which is finding accurate time series data which reflects a direct relationship between levels of poverty and inequality with levels of social conflict. Brookings explains that survey teams are usually not on site at the unexpected moments when protests break out, and people are unlikely to report their participation in ongoing unrest. To traverse this hurdle, Brookings looked at data made available by Latinobarómetro which spanned from 1995-2008, a time period in which many countries in the region made great strides in reducing poverty.\(^3\)

\(^2\) Ibid.
\(^3\) Ibid.
Figure 4.1 shows the relationship between the propensity to protest and wealth levels in the region, and suggests a monotonic increase of propensity to protest as wealth levels increase. It should be noted that the wealth index does not capture the assets of the very wealthy and as such can only suggest that people in the middle or top of the income distribution are much more likely to protest than are the very poor.

**Figure 4.1 Protest Rate by Wealth in Latin America**

Source: Brookings Institute - Brookings notes that because their measure of wealth is based on ownership of 12 key assets, ranging from running water to a computer to a vacation home, it does not clearly distinguish respondents at the top of the income distribution from the middle.

According to UNDP’s report Understanding Social Conflict in Latin America, in countries governed by conservative modernist regimes, such as Mexico and Colombia, there are generally medium levels of conflict. Under these regimes, the control of social conflict is maintained thanks to an emphasis on public safety policies and the strengthening of the state’s coercive apparatus. Countries governed by pragmatic reformists with nationalist ideological
tendencies such as Ecuador and Bolivia generally experience medium to high levels of conflict. The four countries I focus on in this study, Colombia, Brazil, Uruguay, and El Salvador, are all democratic regimes which see low to medium levels of conflict.

As noted earlier in this study, the state is by far the largest recipient of social demands and a key force for collective discontent. According to the UNDP, the state receives 70 percent of the demands made by sectors. However, its institutional and administrative capacities are limited. The UNDP study also notes that neighborhood organizations led 19 percent of social conflicts between 2009 and 2010. The urban sector is the driving force behind social frustration. It is comprised of a diverse assemblage of non-institutionalized actors who struggle on the margins of institutions and therefore act according to logic of conflict that poses potential risks for governability.

Socio Economic Protests

Colombia

Because reliable time series data for social conflicts were only available for 2008 and 2012, the focus here is what prompted conflicts to take place during those particular years in the four countries under study. In 2008, 9 percent of the Colombian population participated in social movements. The most prominent protest was one organized on February 4, 2008, by a young Colombian engineer, Oscar Morales, along with a group of other young professionals. They used the social networking site Facebook to organize a massive protest against the Revolutionary Armed Forces of Colombia (FARC). Figures were not available regarding the economic breakdown of those who participated during the February 4, 2008 protests. However, given the

5 Ibid.
fact that the social movement was spearheaded by young and educated professionals who managed to inspire demonstrations not only in Colombia, but in other parts of the world, suggest that many of those who participated may have come from similar middle to upper income backgrounds.

Millions of Colombians marched simultaneously in 27 cities throughout the country and 104 major cities around the world shouting “No more kidnappings! No more lies! No more deaths! No more FARC!” The protest in Colombia turned out to be the biggest in the country’s history. The national police operations commander, General José Riano, said an estimated 4.8 million people turned out for the 365 marches in the country. International protests were held mainly in Latin America, but some marches took place in Europe, Asia and the United States. Maria Camila of the New York Times noted that the protests were organized solely by young volunteers with no intervention from the Colombian government or any political party. Colombia’s president at the time, Alvaro Uribe, told people in the northeastern town of Valledupar:

“To our fellow countrymen who live abroad, and who today have united with the rest of their compatriots, we extend our gratitude.”

On the other hand, indigenous protests also took lives in Colombia that year. On October 21, 2008, two protesters were shot to death as Colombian Indians demonstrated in Cali, the country’s second largest city. The protest marked more than a week of demonstrations against

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8 Ibid.
9 Ibid.
10 BBC http://news.bbc.co.uk/2/hi/americas/7225824.stm
the nation’s free-market economic policies. Protesters wanted the government to set aside more land for Colombia’s 1.3 million Indians and to provide more money for better education and healthcare. They also wanted the government to prevent multi-national companies from encroaching on their land.\textsuperscript{11} Again, seven Indian tribes in southwest Cauca and Valle del Cauca provinces launched the protests to coincide with the date of October 12, known in the United States as Columbus Day and in much of Latin America as Dia de La Raza, or Day of the (Indian) race. Latin America’s Indian communities equate the discovery of the Americas by Christopher Columbus in 1492 to the start of the Spanish colonial invasion, which led to millions of Indian deaths in wars and from disease. The Spanish invaders drove the Indian populations off their ancestral lands and deep into jungles and mountains as they plundered resources, including gold and silver. Since then, the Indian population has become an ethnic and economic underclass in Colombia and in most of Latin America. They rank among the poorest sectors of society.\textsuperscript{12} In 2008, 42 percent of Colombia’s population lived below the poverty line.\textsuperscript{13} In the same year, the nation’s inequality level, as measured by the Gini coefficient stood at 56.1 percent.\textsuperscript{14} Similar demonstrations by the poorer sectors occurred in 2012. On October 12, 2012 demonstrators took to the streets to condemn social inequality. It was a culmination of the “Week of Indignation” as over 30,000 Colombians marched in the nation’s main cities.

\textsuperscript{11} Karl Penhaul “Two men killed in Colombia protests” CNN, October 22, 2008, accessed May 23, 2015. 
\url{http://www.cnn.com/2008/WORLD/americas/10/22/colombia.protesters/}

\textsuperscript{12} CNN, October 21, 2008, accessed May 23, 2015 
\url{http://edition.cnn.com/2008/WORLD/americas/10/20/colombia.protests/}

\textsuperscript{13} The World Bank
\url{http://databank.worldbank.org/data/views/reports/tableview.aspx}

\textsuperscript{14} The World Bank 
\url{http://data.worldbank.org/indicator/SI.POV.GINI?page=1}
Members of Colombia’s many indigenous ethnic groups, who make up 1.3 million of the country’s population, also participated in the marches to protest against discrimination.\(^{15}\)

It helped that in recognition of their plight, President Juan Manuel Santos apologized for the many abuses suffered by indigenous Amazonian communities at the hands of rubber companies a century ago. “I apologize for your dead, for your orphans, for the victims,” lamenting the fact that the Colombian government did nothing to curb the abuses of the so called ‘rubber barons,’ who killed up to 100,000 people in the area according to indigenous leaders.

In 2012, although the percentage of Colombia’s population living below the poverty line (33 percent) and the Gini coefficient (53.5) had improved from 2008, Colombia’s social problems were clearly still generating protests. However, the fact that only 9 percent of the population participated in protests indicates that these protests were more confined than in 2008, and involved mainly the poorer sectors.

**Brazil**

During 2008, the percentage of Brazil’s population living below the poverty line was 14 percent.\(^{16}\) The Gini coefficient was 54.4.\(^{17}\) Considering the level of inequality, a surprisingly low 6 percent of the population admitted to participating in protests in 2008.\(^{18}\) This may help to explain the fact that there were only two instances of social unrest that year, both localized and relatively small in scale. The first happened in November 2008 when demonstrators, angry at

\(^{16}\)The World Bank  
\(^{17}\)The World Bank  
\(^{18}\)Vanderbilt University  
http://www.vanderbilt.edu/lapop/insights/I0842en.pdf
the government’s crackdown on deforestation, invaded the headquarters of Ibama, the environmental agency. Government officials had impounded 14 lorries carrying around 400 cubic meters of wood they claimed was illegally removed from an indigenous reserve near the Amazon town of Paragominas. Locals were angry at the impact the initiative was having on the local economy with many saw mills forced to close.\textsuperscript{19}

In December 2008, the group ONG Rio de Paz gathered on famous Copacabana Beach in order to draw attention to 9,000 people they say disappeared in less than 24 months.\textsuperscript{20} The group’s president, Antonio Carlos Costa went on to cite those figures as the reason for protesting and added that “no one says anything” about the victims, attributing the apathy to the fact that most of the victims are poor and live on the outskirts of the city.\textsuperscript{21} Costa said he believes about 6,000 of those who disappeared were killed, many by drug traffickers fighting for territory in Rio’s favelas and poor neighborhoods. Others he said were killed by hit squads and police acting on their own.\textsuperscript{22} Brazil saw no significant civil unrest in 2012 and only 5 percent of respondents to a LAPOP poll indicated that they participated in protests in that year.\textsuperscript{23}

Uruguay

In 2008, Uruguay had no record of social movements; that is to say there were no reports of protests, riots, demonstrations or general strikes. Only 9 percent of the population admitted to

\begin{itemize}
\item[\textsuperscript{19}] The Guardian
http://www.theguardian.com/environment/2008/nov/25/brazil-forests
\item[\textsuperscript{20}] Fabiana Frayssinet, “Brazil protesters say 9,000 have disappeared in 2 years;” CNN, December 9, 2008, accessed May 24, 2008
\item[\textsuperscript{21}] Ibid.
\item[\textsuperscript{22}] Ibid.
\item[\textsuperscript{23}] Vanderbilt University
http://www.vanderbilt.edu/lapop/insights/IO893en.pdf
\end{itemize}
participating in protests.\textsuperscript{24} Such stability falls in line with the nation’s overall record of good governance. Uruguay’s 2008 democracy score was 72.1 which ranked the nation 23 out of 115 countries.\textsuperscript{25} In the same year, Uruguay had one of the lowest crime rates in Latin America with just 7 homicides per 100,000 people.\textsuperscript{26} Ranking as one of the least unequal nations in the region, its 2008 Gini index measurement was 46.3.\textsuperscript{27} Despite those laudable 2008 statistics, 24 percent of Uruguay’s population lived below the poverty line that year.\textsuperscript{28} We might, therefore, have expected more protests if there was a relationship between poverty and protests.

Uruguay maintained its consistent level of stability and tranquility and there were no reports of social conflict in 2012. It isn’t difficult to see why Uruguay’s social behavior has been a model of consistency. The percentage of the population living below the poverty line markedly improved from 2008 with 12 percent of the population living below the poverty threshold.\textsuperscript{29} The Gini coefficient of 41.3, in the same year, was one of the lowest in the region. Only 8 percent of Uruguayans admitted to taking part in protests.\textsuperscript{30} The nation’s 2012 democracy score was 73.0, ranking 23 out of 115 and countries.\textsuperscript{31}

\begin{itemize}
\item \textsuperscript{24} Vanderbilt University
\url{http://www.vanderbilt.edu/lapop/insights/I0842en.pdf}
\item \textsuperscript{25} Global Democracy Ranking
\url{http://democracyranking.org/wordpress/?page_id=738}
\item \textsuperscript{26} United Nations Office on Drugs and Crime
\url{https://data.unodc.org/#state:1}
\item \textsuperscript{27} The World Bank
\url{http://databank.worldbank.org/data/views/reports/tableview.aspx}
\item \textsuperscript{28} The World Bank
\url{http://databank.worldbank.org/data/views/reports/tableview.aspx?isshared=true}
\item \textsuperscript{29} The World Bank
\url{http://data.worldbank.org/country/uruguay}
\item \textsuperscript{30} Vanderbilt University
\url{http://www.vanderbilt.edu/lapop/insights/I0842en.pdf}
\item \textsuperscript{31} Global Democracy Ranking
\url{http://democracyranking.org/wordpress/?page_id=392}
\end{itemize}
El Salvador

El Salvador is a particularly interesting case. Despite the high levels of crime the nation has seen over the past several years, as well as once being known as the world’s murder capital, there were no incidents of social conflict in both 2008 and 2012. With respect to 2008, only 5 percent of respondents to LAPOP’s survey acknowledged that they took part in protests. El Salvador had a Global Democracy score of 59.1 and ranked 49 out of 115 countries. The fact that there were no incidents of protests, demonstrations, or riots may suggest social apathy considering that in 2009, Salvadorans turned to a leftwing party (FMLN). Forty percent of the nation’s 2008 population lived below the poverty line. El Salvador’s 2008 Gini coefficient was 46.6, among the lowest in Latin America that year. Its 2012 Gini index was 41.8, among Latin America’s lowest, placing right behind Uruguay.

In response to LAPOP’s 2012 survey, only 4 percent of respondents admitted to participating in protests. This was again very surprising considering 35 percent of El Salvador’s population that year lived below the poverty line. The Central American nation’s 2012 Global Democracy Score stood at 60.2, placing the nation 47 out of 115 countries.
**Poverty, Inequality, and Crime**

Table 4.1 shows that in general – though of course the Ns are very small so that means the results are only indicative – there is little correlation between high crime (homicides) and inequality, except oddly enough for El Salvador where inequality is not as great as other countries in Latin America. Of course the Gini coefficient is still not small for any of these countries, particularly when compared to Scandinavian countries for example. What remains clear is that there is no relationship between inequality and homicides in the most unequal countries. On the other hand, poverty and crime are correlated in two countries. One is high crime Brazil, but the other, Uruguay, has one of the lowest crime rates in all of the Americas.

In sum, the data does not provide as much strength for my hypothesis as I assumed it would. Moreover, the data reveals that inequality is not as much a factor in predicting criminal behavior as many scholars and think-tanks have argued. The result contradicts the findings noted earlier by Fajnzylber, Lederman, and Loayza, who concluded that income inequality had a significant and robust effect on raising crime rates. As previously stated, the results are only indicative so I would hesitate to advance that inequality has nothing at all to do with whether an economically challenged person commits a crime. What I would say however is that there are a myriad of factors which can potentially contribute to patterns of criminal behavior, and inequality may simply be lower in rank than other factors when attempting to ascertain why crimes occur. Furthermore, there may be problems with my research design: for one, if assaults were used as a measure of crime, perhaps the results would have been different. More importantly, I did not lag my data so it is likely that the relationship between inequality and crime would be stronger if time were taken into account.
With respect to the relationship between poverty and crime (homicide), poverty is a stronger predictor for criminal behavior. Brazil far exceeds Uruguay’s homicide numbers per capita, yet in both countries poverty plays a significant role in intentional killings. Once again, however, the correlations should be read with caution: the Ns are small, my data is based on differing time periods for each country, and the data has not been lagged. In the last chapter, I make some conclusions on the relationship I have found.

Table 4.1 Correlation between Poverty and Crime and Inequality and Crime, 2000-2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Poverty</th>
<th>Inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>0.82 (2002-12)</td>
<td>0.30 (2000-12)</td>
</tr>
<tr>
<td></td>
<td>N=9</td>
<td>N=13</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.54** (2007-12)</td>
<td>0.32 (2007-12)</td>
</tr>
<tr>
<td></td>
<td>N=5</td>
<td>N=5</td>
</tr>
<tr>
<td>Uruguay</td>
<td>0.50** (2006-12)</td>
<td>0.21 (2000-12)</td>
</tr>
<tr>
<td></td>
<td>N=7</td>
<td>N=13</td>
</tr>
<tr>
<td>El Salvador</td>
<td>0.17 (2005-12)</td>
<td>0.67** (2000-13)</td>
</tr>
<tr>
<td></td>
<td>N=8</td>
<td>N=13</td>
</tr>
</tbody>
</table>

*Correlations are Pearson’s r. Significant correlations are in bold. Correlations with low Ns must be read with caution.
**p<.005
Chapter 5: Conclusion

In this study I have focused on the relationship between poverty and inequality and social conflict as well as crime. Analyzing the two most unequal countries in Latin America and the two least unequal countries provided an efficient way to get a general sense of whether a nexus does indeed exist between poverty and inequality and social conflict and criminal activity. The spontaneous nature of social conflicts did not allow for consistent time series data on who participates, reasons for participation, and what the economic breakdowns are for those who do take part in social movements. In addition, low participation rates in a number of countries, including the four in this study, may reflect a cavalier attitude towards the state and/or the inability to mobilize as a cohesive unit. What this study does reveal however is that it is not just the poor and disenfranchised who take part in civil unrest; those with higher levels of education and who reside in the upper brackets of income, are just as willing to take to the streets and voice their frustration when it is perceived that the state is failing to fulfill its obligations.

Gregory D. Saxton highlights just how difficult it is to ascertain why social movements occur as he points out that there is some evidence that lower levels of GDP and education will not produce more intense grievances. Saxton notes that there is evidence that economic development per se does not necessarily lead to redress of economic-based grievances. Saxton asserts that the contradictory social forces unleashed by economic development further increase the difficulty in predicting the overall impact of increased GDP on contention. 39 Saxton adds that in addition to quelling economic-based grievances, economic development leads to processes of social change that generate new and often more contentious forms of intergroup and

class conflict. At the same time, economic wealth and education are associated with both social capital and social mobilization which have been posited to increase community mobilizational capacity.\textsuperscript{40} Saxton admits that there are legitimate reasons for characterizing lagging economic and educational performance as factors that sharpen the grievances of ethnic and national communities, and equally rational arguments for citing heightened regional GDP and education as factors that enhance the mobilization potential of these communities.\textsuperscript{41}

What this paper also uncovers is that the issue of human security is a crisis in Latin America. Pervasive levels of crime which go unchecked can have dire social consequences which include threatening the political stability of the state. President Barack Obama acknowledged as much during a speech delivered on February 18, 2015 at the closing of the Summit on Countering Violent Extremism.

…when millions of people, especially youth, are impoverished and have no hope for the future, when corruption inflicts daily humiliations on people, when there are no outlets by which people can express their concerns, resentments fester. The risk of instability and extremism grow. Where young people have no education, they are more vulnerable to conspiracy and radical ideas, because it’s not tested against anything else, they’ve got nothing to weigh.\textsuperscript{42}

President Obama goes on to note that “When governments oppress their people, deny human rights, stifle dissent, or marginalize ethnic and religious groups, or favor certain religious groups

\textsuperscript{40} Ibid.
\textsuperscript{41} Ibid.
over others, it sows the seeds of extremism and violence. It makes those communities more vulnerable to recruitment.”

The hypothesis of this study is that extreme levels of poverty and inequality are likely to result in equally high levels of social conflict and crime. The byproducts of poverty are violence, crime, migration, sprawling slums, colonialism, bad governance, and exploitation. While there is a stronger correlation between poverty and crime, based on case study observations in this paper, inequality does not have a significant impact on crime. However, it is important to note that criminal activity is just one aspect of social behavior. As many scholars and think-tanks have correctly pointed out, pervasive inequality can lead to a range of social problems including gender inequality and a perpetual cycle of poverty which in turn, can lead to crime and violence.

The most important way to get out of poverty is to make sure everybody can earn their way out one way or another. With Brazil as an example, former president Louis Inacio Lula De Silva attempted to combat poverty by investing heavily in education and provided incentives which ensured that parents sent their children to school. Such programs help break the nexus of poverty.

Much has been written on the deleterious effects of extreme poverty and inequality. To that end, it is only appropriate that the focus turns to factors which can help lead to poverty reduction. Science, technology, and innovation can play a crucial role in alleviating poverty. Such measures have resulted in a myriad of developments, from boosting agricultural productivity to providing the means to generate energy cheaply. Developments in science and technology can make a significant contribution to meeting the key commitments of the eight

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43 Ibid.
Millennium Development Goals that United Nations (UN) members and international aid organizations agreed to achieve by this year, 2015. They include eradicating extreme poverty and hunger, promoting gender equality and empowering women, and achieving universal primary education.\(^{44}\)

Increased agricultural productivity can also play a role in reducing poverty. The links between agriculture and poverty reduction can be forged through four ‘transmission mechanisms’: 1) direct impact of improved agricultural performance on rural incomes; 2) impact of cheaper food for both urban and rural poor; 3) agriculture’s contribution to growth and the generation of economic opportunity in the non-farm sector; and 4) agriculture’s fundamental role in stimulating and sustaining economic transition, as countries (and poor people’s livelihoods) shift away from being primarily agricultural towards a broader base of manufacturing and services. The potential for future poverty reduction through these transmission mechanisms depends on the extent to which agricultural productivity can be increased where it is needed most.\(^{45}\)

Free market ideology, i.e. capitalism and free trade, are mechanisms which allow economies to grow, and it is growth principally that has eased destitution. Poverty rates started to collapse towards the end of the 20\(^{th}\) century largely because developing country growth accelerated, from an average annual rate of 4.3 percent in 1960-2000 to 6 percent in 2000-2010.\(^{46}\) Around two-thirds of poverty reduction within a country comes from growth. Greater

\(^{44}\) Institute of Physics, accessed July 24, 2015


  http://www.economist.com/news/leaders/21578665-nearly-1-billion-people-have-been-taken-out-extreme-poverty-20-years-world-should-aim
equality also helps, contributing the other third.\textsuperscript{47}

If the developing countries maintain the growth they have managed since 2000; if the poorest countries are not left by faster-growing middle-income ones; and if inequality does not widen so that the rich reap all the benefits of growth – then developing countries would cut extreme poverty from 16 percent of their populations now to 3 percent by 2030. That would reduce the absolute numbers by 1 billion.\textsuperscript{48} If growth is a little faster and income more equal, extreme poverty could fall to just 1.5 percent – as near to zero as is realistically possible. The number of the destitute would then be about 100 million, most of them in intractable countries in Africa.\textsuperscript{49} But the biggest poverty-reduction measure of all is liberalizing markets to let poor people get richer. That means freeing trade between countries and within them. These are all hypotheticals which seem quixotic, but the world knows how to reduce poverty and if there is a will to do that consistently, then miseries billions would be consigned to the annals of history.\textsuperscript{50}

\begin{flushleft}
\textsuperscript{47} Ibid.  \\
\textsuperscript{48} Ibid.  \\
\textsuperscript{49} Ibid.  \\
\textsuperscript{50} Ibid. 
\end{flushleft}
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