

Wealth and poverty final in latin america history essay



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Poverty has been one of the most tremendous structure problems in Latin America and still ongoing till this day. The source of poverty predates back to days of colonialism. A small few of minority formed the upper class but it mainly consisted of Elites, who owned huge acres of land and raw materials. In Latin America there was a huge gap of difference between wealth and poverty. What is the difference? What does poverty mean? Contrarily, what does it mean to be wealthy? How did Latin America become so poor? Since the colonial period of Latin America the structural and institutional changes that occurred during that time until now played a tremendous keen role in the development Latin American countries and resulted in an output gap in wealth and poverty.

The colonial legacy compared to the economical shift after independence of Latin America is different in both wealth and poverty. What is the basis of poverty and wealth? “Wealth” is the opulence of valuable resources or material possessions, the power of controlling assets, or anything of value. For example, Latin American countries wealth in the colonial era consisted of natural resources, such as; “silver and gold in New Spain, Upper Peru, Chile, Central Brazil and New Granada,” also agriculture trade (Thomas 23-24). Independence gave Latin America the chance to raise capital, revenue, free trade and external trade on a international market. On the contrary, “poverty” is the absence of human needs and wants, such as nutrition, fresh water, health care, education, clothing and shelter, due to the inability to afford the basic needs. In addition, the condition of a country has fewer resources or a person making less income within a society. The colonial economy went through a series of cycles, the country was in the work of

becoming the richest part of the third world, but the people itself were poor. The labor market after the Spanish and Portuguese arrived, “ in general still did not consist of free wage labor, even at the time of independence. On plantations slave labor remained common and on the hacienda the supply of labor often depended on debt peonage, a labor contract that made it virtually impossible for many workers to seek employment elsewhere. In addition, mines mostly depended on the mita, consisting of forced Indian labor” (Thomas 26). On the other hand, the start of the industrial path that North America and Europe, shifted the Latin America supply curve downward.

There was a major difference between poverty and wealth, during the colonial economy the difference was the most indigenous people lived in poverty while the foreign power ruled over the people and used them for labor uses with mining and agriculture. “ Foreign trade constituted the single most important dynamic source of wealth creation in the colonial economy.” (O’ Brien 5) During this time the mining of precious metals were the main capital of wealth. Later agriculture trade, both external and internal led efficient gains. What made Latin America poor during the colonial period, were the indigenous people themselves, there were no real labor forces and with that there were no real wages but instead forced labor such as the debt peonage and mita. Most labor working on plantations or haciendas were forced labor. Now, independence gave Latin America the opportunity to raise capital. But since the collapse of colonial rule, the fiscal system collapsed, labor market was problematic, and the capital fight all was in chaos. At the beginning of independence everything was unstable, and virtually it was

worse than the colonial age, some prosperity didn't kick in till everything was stable. The liberals after independence promoted a development strategy that included European immigration, the breakup of communal rural landholdings, and foreign trade and investment (O' Brien 23).

There were many factors of structure and institutions that played a major role in the outcome of the gap between wealth and poverty. The crown structured both society and economy around a series of privileges and monopolies (O' Brien 7). During the colonial era, Spain built the empire literally on the back of the indigenous people; the crown enforced Indian labor through the encomienda system, and distributed them to the repartimiento and mita. Also the fiscal system was designed to increase the flow of resources. The colonial period went through a series of institutional changes; they went through the Hapsburgs, which consisted of mining industries. Then the Bourbon reforms, which increase productivity in the late 18th century, based with mining, agriculture exports, and intraregional trade (Thomas 27). Political independence gave way for new republics to change the colonial economy. The collapse of the colonial rule put them at a disadvantage, which gave the power to change the structure of Latin America: First the creation of independent republics, then the repair of physical capital. Third the collapse of the fiscal system a new tax system came into play. Fourth, the maintaining of military and the fiscal balance was aggravated by additional expenditures. Also, some Latin American countries abolishment of slavery where they didn't play a crucial role and the mita finally ended but the debt peonage and antivagrancy laws remained in effect. Another huge structural change was the start of the industrial

revolution for North America and Europe, which in returned slowed down Latin Americas economy.

All things considered, many factors were exercised in the process of the wealth and poverty gap, in particular; free trade, comparative advantage, physical and financial capital flight, loans and debts, lack of taxes, shortage of labor, political instability and modern industry. All these possibilities brought forth the instability of wealth and poverty in Latin America. An Example of Latin America poverty and instability is Brazil in the City of Rio:

The majority of Rio's residents lived in toil and die in the workplace, to move morning and night in an undulating mass from rickety shacks on muddy streets to dirty, slow, and costly trains and trolleys; they fell victim to the epidemics, to tuberculosis and dysentery, and tried to make a living in whatever way they could in an economy that held out little hope for a stable job and secure future. They were not, and were not to be, educated, sanitized, cultivated, Europeanized, and civilized, as was formal, official, international Rio de Janeiro, the capital of an emerging great nation. None the Less, the working poor were elements of the same system comprising the bankers, transit authorities, entrepreneurs, and government officials: they were all members, in their own specific urban spaces, of a dependent city, of a dependent state, of a dependent economy. It was a situation, or an " ecological form," as Manuel Castells notes, in which every resident's dependency upon the political system and that system's place within the world market was at the very core of his or her social condition. (Meade 182-183)

This is a prime example of how poor Latin America is in both the colonial period and after independence in the late 19th century, more or less. Latin America went through get turmoil of poverty since the time of the colonial period.

Distribution of Wealth

Latin America is known for rich natural resources, excellent agriculture, gorgeous landscape, attractive dancing, glorious Mayan and Incan temples and etc. However, Latin America has been the center of the world's poverty. Latin America is notoriously known as the part of the world with unequal distribution of wealth, even compared with other third world nations. The economic growth between the colonial age and present time has been the factor of concentration of income, which created the unequal distribution of wealth and poverty. Latin America has been affected by both the external and internal forces of wealth distribution. What possibilities determine the unequal distribution of wealth in Latin America? Historical research and statistics have shown that Latin America has one of the most unequal distributions of wealth in the world, but why? There are many reasons why there is a is a distribution of unequal wealth, the concentrated few are; land reforms and land ownership, Industrialization path, the urban rural gap, tax system, macroeconomic instability, the imperfect financial market and external forces, and the unequal distribution of educational opportunities.

Latin America is known to be a place with unequal distribution of wealth; the economy is in terrible shape. Since the colonial legacy when Spain and Portugal was the foreign power, the gap between them and the indigenous people was tremendous, even after independence the gap between the poor

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and the Elites became bigger over time, eventually the middle class started to diminish. There are differences between several Latin American countries concerning the expansion of unequal wealth distribution.

One of the main factors that can explain why there is an uneven distribution of wealth can be found mainly in land ownership. The captivation of land ownership could be dated back to the colonial legacy, furthermore, after independence in the early 19th century continued to keep the system of unequal land ownership. Foreign power took advantage of development of exporting resources but to do that they concentrated on land growth, making resulting in large scale commercial farms for a few landowners. These owners became more powerful and wealthier as they gained more land. Although, a few Latin American governments had made efforts to overcome the unequal distribution of land, most of those efforts failed miserably. It failed because the land reforms laws formulated by the government because they were not interested in helping the landless. Conversely, most land owners that gave up there land was compensated. At the same time, those who did get a small piece of land were not able to attain enough capital to buy necessary equipment for the production of growth, resulting in giving up the land to its original landowner.

Another factor that played a crucial role in Latin America's development in unequal distribution of wealth was the urban rural gap. As in most developing countries, people living in poverty in Latin America are mostly found in rural areas. The upper class and middle class were known to live in urban areas. Tremendous number of rural residents left the countryside for the urban areas, to seek out jobs with higher wage rates. Although most poor

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people stayed poor, after moving, the middle class split, they either got poorer or richer like the Elites. Over time the gap between the poor and the Elites became bigger. Even though most Latin American governments made efforts to destroy the gap through the implementation of regional development programs and funding, such as, the Rio's Urban Renewal Plan. " The urban renewal plan affirmed the hegemony of both foreign investors and coffee exporters by inserting their control into the internal workings of Rio's settlement, as well as locked the fragile domestic economy into a position of subservience." (page 82) " Latin American elites envisioned themselves as pioneers of progress and civilization in population comprised largely of ' Barbaric' Indians and mestizo. Because those who ruled Latin America firmly believed that their own people constituted an inferior backwards culture, they never envisioned their nation as comprised of equal citizens." (O' Brien 15) These beliefs are also the reason why Latin America has an unequal distribution of wealth, shifting the gap between the indigenous and the elites or the gap between the poor and the rich.

Latin America's history of economics was focused on the development of physical capital, but they were not focused on upgrading the quality of education of the labor forces. The distribution of education is a major factor that leads to the income gap in Latin American countries. As a result, the highly educated could earn higher income than the less educated or unskilled workers. The poor could not get enough schooling, and therefore have a disadvantage in the labor market. While the elites were able to attain a university degree and further their career options. The lack of education and microeconomic stability affected the economic growth, in return a

tremendous shift in unemployment, causing a relative change in prices, continually making the poor hit a new line of poverty. The main source of wealth in Latin America was from government officials, business people, and the elites, because they were highly educated.

The main distribution of wealth within Latin American countries came from the elites and the government, but the big factor of income came from external factors, such as the financial system, exports, loans from other countries, tax system and etc. The biggest factor of wealth came from other countries, when Latin America was in need of other countries. Such as, North America and Europe that gave them assistance as in loans and bonds, to help stabilize their economy. The exports was a big source of wealth in Latin America; gold, silver, copper, and agriculture good. Although the only people who gained from the exports were the people selling the goods, the foreign business people who supported the farms and mines, and the government, since the government put taxes on some exports and imports. So the main source of Latin America income comes from external forces by giving out loans and the business of exporting goods.

Latin America is known for being a region of unequal wealth distribution. Many factors played a key role in the distribution of wealth, both internal and external. Every single economic situation both internal and external played an important role in the distribution of wealth: Free trade, comparative advantage, the physical and capital flight, defaults on loans and debt, lack of taxes, shortage of labor, and political instability. The internal factors were the lack of education to be distributed to the poor, were only the elites gained the opportunity to further their education and career. Land ownership

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played a huge role; both internal and external forces played a role, the big time business men from abroad came and brought land to further production of agriculture, to bring wealth to both themselves and Latin America. The mining and agriculture brought further income to Latin America both internally and externally, with the good business of exports. The urban- rural gap between the poor and the rich also played a role, while the middle class started to diminish they either became richer or poor and the rich became even richer. The elite's population was known to have everything and they in general controlled ten percent of Latin Americas income. However, the main source of income came from external factors, such as exports to other countries. The continual help from other countries when Latin America was in crisis, they gave the loans and bonds needed to stabilize Latin Americas economy. Therefore, Latin Americas distribution of wealth might be unequal within this region, but their source of income came from both external and internal factors.