

The Income Gap

In this case study, you will learn about efforts to narrow the gap between rich and poor.

All questions require at least
THREE sentences on own paper.

PLACES & TERMS

income gap the difference between the quality of life enjoyed by the rich and the poor

ethical having to do with moral duty and what is good and bad

The Nature of the Problem

In Rio de Janeiro, gleaming office buildings and hotels line the boulevards. A few blocks away, dreadful slums are home to Rio's poor. These opposites are evidence of what economists call an **income gap**. This is the difference between the quality of life enjoyed by the rich and the poor. In many Latin American countries, the income gap is widening.

Some people argue that Latin America's income gap raises important **ethical** questions. How can a caring society justify vast wealth in the hands of a few while most people live in poverty? The Catholic Church and other religious faiths in Latin America argue that narrowing the income gap is a matter of social justice.

Most Latin American countries now have free-market economies with a minimum of government rules. However, in Latin America, the poor often lack basic skills. Because of this, they cannot take part in the economy.

Often, the poor have little education. Many cannot read. Most cannot find jobs. To the poor of Latin America, the doors of economic equality appear to be shut.

Poverty can make people desperate. Those who have nothing to lose are sometimes willing to take great risks. Civil wars and revolutions may occur if people feel society is unjust.

1. What keeps the poor from taking part in the economy?

Answer in at least **THREE SENTENCES** on own paper.

Possible Solutions

The income gap in Latin America varies from one country to another. For example, nearly 45 percent of Brazilians live in poverty. However, in Ecuador, Paraguay, and Uruguay, the income gap is much narrower than in Brazil.

Many of the countries of Latin America now have free-market economies. Free-market economies provide economic opportunity and stability for all citizens. People hope this will eventually narrow the income gap.

Along with free-market economies, democracy is now seen by many countries as an essential part of achieving prosperity. Democracy provides an outlet for protest and opposition. Policies can be adjusted to reflect the will of the people.

Finally, education is an important part of the mix. A literate, well-educated population will be needed to fill jobs in an increasingly complex society.

2. Why can the introduction of free-market economies help close the income gap?

Answer in at least THREE SENTENCES on own paper.

Poverty is Widespread

Graph: The relative percentages of households in poverty throughout Latin America in 1997 shows a wide range of statistics. At the high end is Bolivia, with nearly 60 percent of its population living in poverty. At the low end is Uruguay, with less than five percent of its population living in poverty.

Cable News Story: Brazil has 2,000 to 3,000 street children. These children are homeless and live on the streets of Rio de Janeiro. Their greatest fear is to be murdered by the death squads. The death squads shoot the children while they sleep. Official police estimates say about 500 of Rio's homeless children are murdered each year.

Newspaper Report: In Caracas, Venezuela, there is a huge shopping mall with 450 stores. However, a hamburger there costs about half a day's pay for the average Venezuelan worker. A few miles to the west of the mall, there is a slum. Here, open sewers run alongside tin shacks. Inequality of wealth and opportunity is a huge obstacle to development in Latin America. The large numbers of poor people threaten the success of democracy and free markets. Most economists say that the problem is misguided policies of local governments. They deprive the poor of a decent education, fail to collect taxes, and encourage corruption.

3. What part do economists say local governments play in keeping people poor?

Answer in at least THREE SENTENCES on own paper.

Programs are Helping

Magazine Article: In Porto Alegre, Brazil, the municipal council has introduced programs to help the children on its streets. Street children can sleep in council-run dormitories and attend the city's "Open School." They hope to create something like a normal life for children and help them get an education. There are a handful of cities that are trying to help. The programs are modest. They offer shelter, food, a place to wash. They supply teachers and drug counselors. Some patrol the streets looking for children in need.

4. What is currently being offered by these programs?

Answer in at least THREE SENTENCES on own paper.