

Welfare effort and poverty from the monetary and capabilities approach: A cross-country analysis in Latin American and the Caribbean (1990-2010)  
[Esfuerzo de bienestar y pobreza desde el enfoque monetarista y de capacidades: Análisis transnacional en América Latina y el Caribe (1990-2010)]

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There is abundant empirical evidence on the negative relationship between welfare effort and poverty. However, poverty indicators traditionally used have been representative of the monetary approach, excluding its multidimensional reality from the analysis. Using three regression techniques for the period 1990-2010 and controlling for demographic and cyclical factors, this paper examines the relationship between social spending per capita -as the indicator of welfare effort- and poverty in up to 21 countries of the region. The proportion of the population with an income below its national basic basket of goods and services (PM1) and the proportion of population with an income below 50% of the median income per capita (PM2) were the two poverty indicators considered from the monetarist approach to measure poverty. From the capability approach the proportion of the population with food inadequacy (PC1) and the proportion of the population without access to improved water sources or sanitation facilities (PC2) were used. The findings confirm that social spending is actually useful to explain changes in poverty (PM1, PC1 and PC2), as there is a high negative and significant correlation between the variables before and after controlling for demographic and cyclical factors. In two regression techniques, social spending per capita did not show a negative relationship with the PM2. Countries with greater welfare effort for the period 1990-2010 were not necessarily those with the lowest level of poverty. Ultimately social spending per capita was more useful to explain changes in poverty from the capability approach.

Capabilities

Latin America and the Caribbean

Poverty

Social spending

Welfare effort

Welfare State