


## Chapter 16

# Public Spending and Poverty in Ibero-American Countries

**Isadora Sánchez-Torné**  
*Universidad de Sevilla, Spain*

**Francisco Espasandín-Bustelo**  
*Universidad de Sevilla, Spain*

**Macarena Pérez-Suárez**  
 <https://orcid.org/0000-0003-4682-3873>  
*Universidad de Sevilla, Spain*

### ABSTRACT

*The purpose of this chapter is to provide useful information on the two main topics that define it: public spending and poverty. Three objectives are highlighted: 1) to provide a general overview of the concept of poverty and their characteristics; 2) to project, through the consulted literature, a model that explains the determinants of poverty; and 3) to describe, on the basis of aggregate data obtained on the CEPAL website, the situation of public spending (according to the classification by government function) and poverty (population living on less than \$1.90 and \$3.10/day) in some countries of the Ibero-American territory to show whether there is a significant relationship between public spending and poverty.*

### INTRODUCTION

Poverty is one of the oldest problems of humanity (Ardila, 1979) and in the XXI century, is considered as one of the three main global problems (Muñoz, 2012). The international social reality is that the number of people living in poverty represents 20.5% of the world's population (Gentilini & Sumner, 2012) and the number of poor people in the world is growing (Tarabini, 2008); the number of relatively poor people is likely to stabilise in the coming years at 2.7 billion (Chen & Ravallion, 2013). As evidenced by Gentilini & Sumner (2012), the poverty figure is not only found in low- and middle-income countries.

The Academy is not insensitive to this matter. According to Araya & Vasquez (2015), poverty has been a topic of interest for researchers of different disciplines, like economics and sociology (Valenzuela,

DOI: 10.4018/978-1-5225-7888-8.ch016

2004). Despite of this interest, Muñoz (2012) sustains that a shared and valid diagnosis about the causes of poverty has not being achieved, nor about the most efficient and effective solutions; thus emerging the need to deepen the meaning of poverty and their causes (General Sub-directorate for Studies of the Foreign Sector of Spain, 2007). The scientific literature gives a relevant role to public authorities, since any measure implies their intervention, both through their direct intervention and through their influence on the private sector in the economy. However, policy makers face several problems such as an increase in illegitimacy, ideological limitations and excessive administrative spending (Hernández, 2008).

The reasons mentioned above, are sufficient to initiate this research, the purpose of which is to offer useful knowledge on two topics: public spending and poverty. Thus, the research has a cognitive character (descriptive and explanatory), one-dimensional in terms of measuring poverty, exploratory, correlational and transversal.

## **LITERATURE REVIEW**

The literature consulted shows that there is no single definition of poverty: 1) poverty is identified with notions such as deprivation, absence or lack (Kaen, 2012); 2) most economic studies have focused their attention on the concepts of insufficient resources or lack of wealth (Acosta, 2009); 3) consensus in relation to considering poverty as the deprivation of essential assets and opportunities to which all human beings are entitled (Batthyány, 2008); 4) four meanings of poverty are identified: absolute or severe, relative, objective and subjective deprivation (Lara & Cornejo, 2008); 5) epiphenomenon that is governed by other phenomena so that relative poverty will always exist, their eradication is unfeasible (Unwin, 2007).

In relation to the area of knowledge that studies poverty, Garcia del Junco and Espasandín-Bustelo (2018) conclude the following evidence: There is no single definition of poverty; it tends to be studied from the point of view of the income; it has various characteristics (complex, multidimensional, dynamic, adjustable and heterogeneous); the material object of poverty is individuals (households/families/state); the paradigms used are the one-dimensional approach and the multidimensional approach; and in the field of poverty measurement, it is possible to measure incidence or extent, intensity, inequality and duration or dynamism.

On the other hand, the literature consulted identifies an approximate number of 50 determinants of poverty which, after detailed analysis, are proposed to be aggregated into three main groups: those relating to the individual, those relating to the household/family and those relating to the environment. One of the determinants of the environment identified in the poverty literature is the one that we are dealing with in this research: public spending.

## **RESEARCH METHODS**

### **Data Collection Method**

To obtain the necessary data, the information provided by the Economic Commission for Latin America (CEPAL) <sup>1</sup> was consulted. The data and statistics section was accessed on the CEPAL website and, within that, CEPALSTAT (offers more than 2000 statistics and indicators for Latin America and the Caribbean).

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