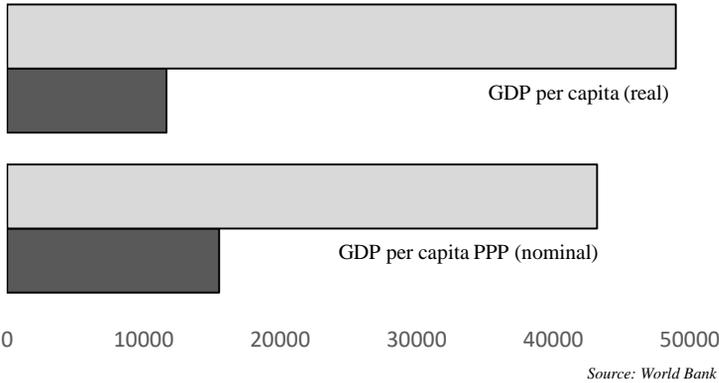


This analysis aims at comparing different economic indicators in order to show characteristics that are often seen in middle-income countries when compared to high-income countries. The second set of indicators aim at demonstrating the concept of a “culture of poverty” discussed in the article called “Brazil trapped in the middle” from <http://www.professorpro.net>.

This is a simplified framework that illustrates the difficulty of passing from a middle-income country to a high-income one. Brazil and Canada are used as examples, the former as a country in the middle-income trap and the latter as a high-income country. When available, data presented are averages between 2012 and 2013. When these years were not available, the most recent datum was chosen. Light grey is for Canada while dark grey is for Brazil

Current Economic Situation: Middle-Income Brazil vs. High-Income Canada

Canada
Brazil



Let's start with the way we actually measure economic wealth: Economic activity per capita.

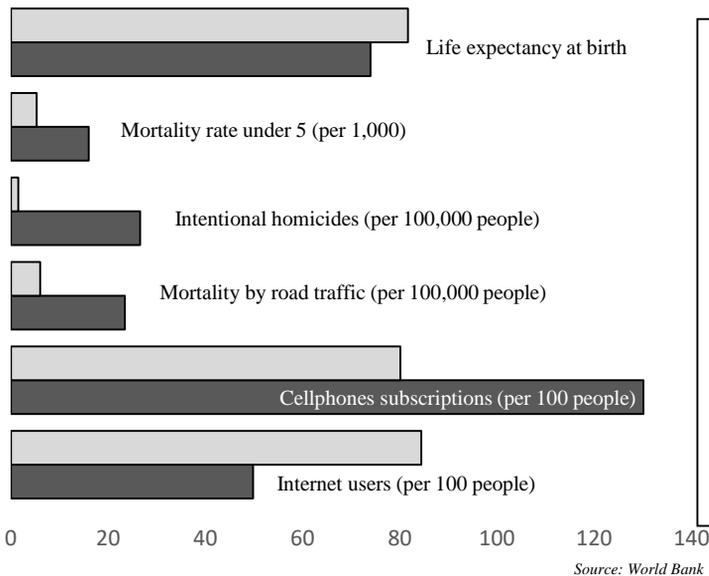
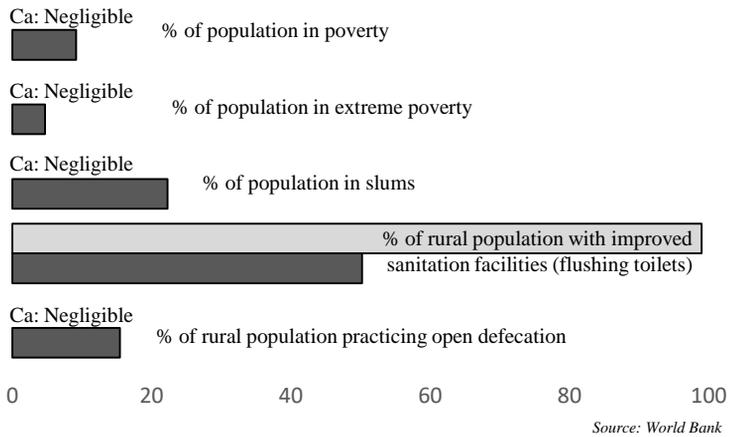
Although both countries' total economic size is almost the same, Canada's real GDP per capita (prices of 2010) was more than four times higher between 2012 and 2013.

Even when using Purchasing Power Parity (PPP), which tends to advantage poorer countries, Canada's GDP was around 2.8 times higher than Brazil's.

These indicators relate to the state of poverty as well as access to the most basic health infrastructure. Canada did not provide data for most of these indicators because too few people enter these categories.

As you can see, a significant percentage of people were either in poverty (9.2%) or extreme poverty (4.7%) between 2012 and 2013 in Brazil. More than a fifth of the population lived in slums in 2014.

Approximately half of the rural population had access to appropriate sanitation facilities while more than 15% of them defecated in the open without properly disposing of their wastes.



We conclude this section with a number of indicators relating to death and technology.

Life expectancy was unsurprisingly higher in Canada, with people living around 7.7 years longer on average. Mortality rates under five years old was three times higher in Brazil.

Death by murder or road accident was also much higher in Brazil, close to 17.7 times higher for the first and close to 4 times higher for the second. These unfortunate statistics are often associated with poor infrastructures and poor economic opportunities for most of the population.

Finally, Brazil surprised me with more than one cellphone subscription per person... which may be because it is expensive to talk between different providers. Internet users, however, was fairly low in Brazil with less than 50% of people having access.

Now that we've seen some indicators showing how middle-income Brazil compares to high-income Canada, we can focus on the future. The concept of the "culture of poverty" I describe is based on the lack of civil responsibility and inclusion that is inherent in the average person's behaviour.

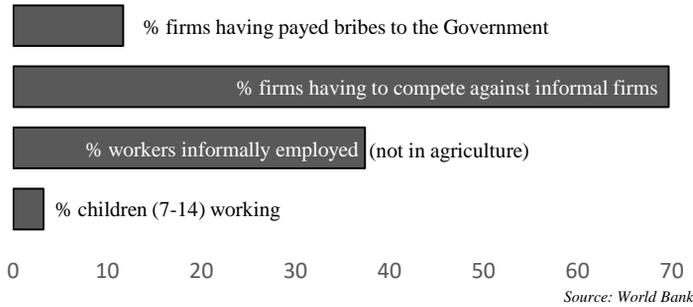
What I call culture, a choice of word that may merit heavy criticism, is what is responsible for a country to be unable to continue growing beyond that middle-income category. Poor cultural traditions and destructive attitudes lead to low productivity. I have identified a number of indicator that can, in my opinion, reflect some of these issues.

Once again, keep in mind that this is a simplification designed to help you grasp the cultural changes that need to happen for a country to progress toward a healthier and stronger economic situation.

Culture of Poverty: Middle-Income Brazil vs. High-Income Canada

Canada

Brazil



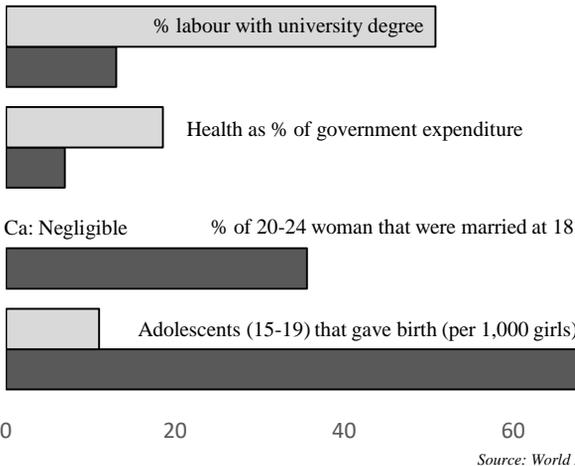
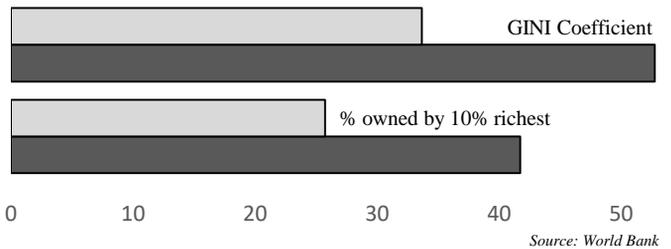
These indicators relate to bribery and informality. Canada is missing because of the negligible number of cases involved.

Bribery and informality reduce the positive impacts governments can have on the economy. They are often a symptom of a culture of "clans" in which people disregard their impacts on the rest of society.

Employing children (3.2% in this case) often reduces their performance at school, which limits their opportunities later.

Next, we have income distribution and wealth held by the richest. A perfect GINI coefficient is of zero while the worst income distribution would give a coefficient of 100.

This shows the level of inclusion of a country. More unequal economies tend to exclude certain groups while giving unfair advantages to others. As you can see, income distribution was quite unequal in Brazil between 2012 and 2013.



This next section relates to education and health. A more educated population that has access to good healthcare tends to be more productive and creative.

Education can be measured in many different ways. The percentage of workers with university degrees gives a good indication of the value of such degrees in the workforce. The amount of young brides and young mothers indicates how well women are educated (and also valued), which is worrisome in the case of Brazil.

The proportion of expenditure dedicated to healthcare shows how important health is perceived by the authorities. Canada spent close to 2.7 times more than Brazil (in proportion).

Lastly, less bureaucratic cultures tend to be more business friendly in addition to being less corrupt and more efficient.

Brazil ranked 111th out of 189 on this index while Canada was 13th. Also, firms had to wait 15.7 times more days to start a business and faced a delay of close to 80 days to get an operating licence in Brazil.

These figures often show an economic system that is overly bureaucratic, a situation we call "red tape". The more difficult it is to operate legally, the more incentives firms have to be informal, which again hurts society in general.

