

# The Economic Effects of Racism in Guatemala and Bolivia

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## Introduction

The indigenous citizens of Latin America compose a colorful mosaic of different cultures, languages and customs that makes Latin America a dynamic and vibrant region. One can see Kuna women walking around Panama City in their brightly colored *Molas*, listen to Andean New Age music or read about Evo Morales, the first indigenous president of Bolivia, in the newspaper. The richness and contribution of their culture cannot be exaggerated; however, their desperate situation of poverty and economic struggle cannot be exaggerated either. The indigenous peoples of Latin America are its poorest citizens, often living in the most desperate of situations. In Guatemala a striking 74 percent of the indigenous population lives in poverty while in Peru 62.8 percent live in poverty (The World Bank 2009)

Condemned to subjugation and inferiority since colonial times, racism, exclusion, and exploitation have defined their situation since the Spanish Conquistadores arrived in the early 16<sup>th</sup> century. Dr. Ariel Dulitzky who has worked for the Inter-American commission on Human Rights, the United Nations and the OAS states, “racial discrimination permeates each and every realm of life in our region [Latin America]: from the social to the political, education, labor, cultural, and public health sectors (Dulitzky 2005, 5).” The effects of this racism on the indigenous peoples are quite evident as one only needs to visit a rural village in the Western Highlands of Guatemala or the Altiplano of Bolivia to see the consequences of their social exclusion. Juliet Hook defines social exclusion as the inability of a social group to fully participate in the social, political, cultural and economic spheres of a society (Hooker 2005, 287). The indigenous peoples for the most part, do not have access to the economy, have little influence on the national culture, and lack the political power to change their situation. Thus they remain impoverished and stuck in a system that excludes them. What is far less evident and often overlooked by scholars, is how racism against indigenous peoples affects the non-indigenous population and the country as a whole. This paper

will explore this question of how racism and social, economic, and political exclusion affect an entire country not just the minority population.

Latin America is a region that is often considered part of the developing or “third” world. Among the poorest countries in the region are those with the largest indigenous populations; Bolivia, Guatemala, Peru, and Ecuador. They consistently rank among the lowest in GDP per capita, quality of life and other developmental indicators. Many have tied this poverty to government ineffectiveness, bad economic policies and internal conflict; but what effect does racism have on the overall development and well being of a country with a large minority population? How can Bolivia, so rich in resources, and Guatemala, with the largest GDP in Central America, be so poor?

Part of the answer lies in the negative consequences of social exclusion on human capital formation and economic contribution. Human Capital is the knowledge and skills a person possesses that enables them to produce economic value. The indigenous people’s lack of education, access to economic opportunities and political power to change their situation severely limits their capacity to form human capital, lowering the amount of economic value they produce. Using Guatemala and Bolivia as case studies, this paper specifically proposes that systemic racism and social exclusion (as defined by Hooker above) significantly contribute to the economic underdevelopment of countries with large indigenous populations because the indigenous peoples are unable to fully realize their potential human capital leading to a loss in aggregate economic value produced. This loss is magnified by their large population contributing to the economic underdevelopment of the entire country.

A literature review will first establish that racism is prevalent, pervasive and excludes the indigenous population from society. It will then look at the role of human capital in economic

growth and development and finally the economic effects of racism. Following the literature review, I will explain and defend the fundamental argument behind my hypothesis and conduct in-depth analyses of the historical and current situations of exclusion in Bolivia and Guatemala. I will then test my hypothesis empirically and discuss the results across both countries. In addition there will be a brief discussion of Peru which was not included in this study due to lack of available data. Finally I will summarize my results and reflect upon the importance of indigenous inclusion to successful economic development.

It must be noted that other minority groups exist in both Guatemala and Bolivia; however, their populations are so low that they were not included in this study. The Garifuna and Xinca of Guatemala are less than 0.3 percent while Black and Asians in Bolivia are less than 1.0 percent. For the purposes of this essay, racism and discrimination will be used interchangeably and are defined as discriminatory or abusive behavior by members of one race toward members of another race. Marginalization and exclusion will often be used along with racism and discrimination and will be defined as the relegation or exclusion of an ethnic group to a lower social standing by a more powerful group. Finally, the word Ladino, which is unique to Guatemala, will be defined as any person that is non-Maya, mestizo, or white.

## **Literature Review**

### *Racism in the Guatemalan State*

There is no question that racism exists in Guatemala. The question is: how does it manifest itself and to what extent? There is a rich source of literature that tries to answer this question by exploring the past and present of Guatemala and Bolivia and the role racism has played in it. One study by the United Nations concluded that racism and racial discrimination [in Guatemala] are “deeply rooted” and reflected in the pervasiveness of centuries old prejudices.

Racism is described as structural and systemic and correlated to economic impoverishment and social exclusion (Diene 2005, 16). Another report on racism in Guatemala concluded that “As a result of centuries of long-term, systemic racism against indigenous and non-ladino peoples, the lack of access to civil, political, social, economic, and cultural rights in Guatemala predominantly affects these groups. While class may play a role in social exclusion of the poor, rural, and indigenous, racial discrimination is at its roots (Centre on Housing Rights and Evictions 2006, 4).” Bolivia is no different. Nancy Grey Postero states in her book on indigenous politics in Bolivia that: “Racism continues to structure and limit participation, making it impossible for many Bolivians to exercise their political rights (Postero 2007, 6).” Another book on neoliberalism in Bolivia states: “The nation is built on a fabric of exploitation and exclusion: a web of racism and discrimination and a warp of foreign domination and despoliation (Kohl and Farthing 2006, 4).”

The large source of literature on the subject clearly establishes that racism is prevalent and pervasive in Guatemala and Bolivia and excludes the indigenous population. Though it may not seem important, it is essential to recognize that racism exists and that it is one of the root causes of social exclusion. More times than not, Guatemalan and Bolivian officials have framed the dire situation of the indigenous population in terms of a development problem and not a racial one. Denying the existence and pervasiveness of racism in Guatemala and Bolivia undermines any attempt to solve the socioeconomic problems that plague the country. Thus, it is important to highlight this literature to emphasize that racism is the root cause of social exclusion which is the fundamental assumption of this paper.

*Human Capital and Economic Growth and Development*

One of the fundamental assertions of this paper is that a lack of human capital development in the indigenous populations of Bolivia and Guatemala contributes significantly to the economic stagnation and underdevelopment in each country. The Organization for Economic Co-operation and Development (OECD) defines human capital as the knowledge, skills, competencies and other attributes embodied in individuals that are relevant to economic activity. Many scholars and economists have studied human capital's effect on economic growth and a somewhat divisive literature has emerged supporting and refuting its affect. On one side of the argument are those who argue that human capital is not a significant factor in economic growth and development. Lutz Hendricks' study in the American Economic Review looked at income differences between developed and underdeveloped countries and rejected the hypothesis that human capital accounts for the bulk of cross country income differences.

Another study against the human capital factor and pertaining to Latin America argues that economic stagnation is due to the inefficiency of labor and its lowering of production. The authors of "Latin America in the Rearview Mirror" pose the question of; why out of all the western countries, has Latin America failed to catch up with U.S. income levels while most other western countries and East Asia have been catching up. The authors conclude that barriers to competition are the main reason for economic stagnation and that the human capital gap does not affect economic stagnation.

The authors present many pertinent examples of how lowered barriers to competition stimulated production and how Latin American laws that enacted higher trade barriers decreased production; however, their assertion that human capital is a non factor is a conclusion reached using a flawed methodology. First of all, the authors only use level of schooling to evaluate the affect of human capital. Although education is one of the most important factors in human

capital formation, other factors significantly impact the productivity and innovation of workers such as access to healthcare or malnutrition. If a worker does not eat enough, they will not be able to concentrate or perform to maximum efficiency, and if they cannot stay healthy their ability to use their knowledge and skills diminishes.

Second, the study cites the average years of schooling for only Argentina, Chile and Uruguay, the three Latin American countries with the highest GDP per capita excluding Mexico, and with almost nonexistent indigenous populations (3% in Argentina, 0% in Uruguay and 4.6% in Chile). Citing only the wealthiest countries leaves out the alarming statistics of such countries as Guatemala and Bolivia where indigenous children and adults often have less than three years of schooling. The authors' methodology and classification of Latin America as a western region is also flawed. The authors argue that since mainly Europeans settled Latin America they should have no problem replicating the economic success of the West.

In their study they compare Latin America to other western countries such as the United States, Belgium, France, Australia, Germany and Canada among others. This western classification of Latin America is an overgeneralization and does not reflect indigenous countries like Bolivia and Guatemala. In their data table of the percentage of the population of western descent, language and religion in Latin American countries, Bolivia was only 45 percent while Peru was 52 percent. The authors' generalizations apply only to certain countries and obviously ignore Bolivia's large indigenous population diminishing the applicability of the findings to countries with large indigenous populations like Bolivia and Guatemala.

In contrast to this view are those scholars who believe that low human capital formation is a major factor that contributes to economic stagnation and underdevelopment. In her book *Coping with Austerity: Poverty and Inequality in Latin America*, Nora Lustig states that "national

productivity also inevitably suffers in economies with poorly educated, low skilled work forces. Unless they are able to raise the skill and educational levels of their populations, Latin American countries will have a hard time competing for capital and export markets in the international economy (Lustig XVII, 1995).” Her assertion that Latin America needs to raise skill and educational levels directly references human capital formation. Education and the development of specific skills such as IT or heavy machinery skills, increase the ability of workers to produce economic output. She is also right in stressing the importance of competing in the international economy as globalization and technology have made global competition important for economic development.

Gary S. Becker, one of the original proponents of human capital formation and a Nobel Prize winning economist from the University of Chicago describes the last part of the 20<sup>th</sup> century and the beginning of the 21<sup>st</sup> as the “Age of Human Capital.” In a speech entitled “Human Capital”, Becker argues against the critics of human capital theory and constructs an argument very much in favor of its importance. He acknowledges that physical capital is important but reasons that without adequate investment in human capital, workers would not be able to operate machinery efficiently and managers would not be able to utilize them correctly (Becker 1975, 5). Becker’s assertion once again supports the notion that human capital formation is significant to economic output. He acknowledges that traditional components of capital such as machinery, buildings, and other supplies are vital to output but clearly stresses the importance of having educated people operating the machines and running the buildings. His seminal work shows the importance of human capital and why investing in it yields economic gains.

Another original proponent of human capital formation and a Nobel Prize winner himself, Theodore Schultz adamantly supported the benefits of human capital and developed a



theory to support it. One of his studies found that Japan and German recovered faster economically than Britain after World War II because they had a healthier and well educated population. He states: “human capital inequality seems to be an important determinant of development. A more egalitarian distribution of education is not only associated with a high stock of human capital or a better life expectancy but also with higher accumulation of physical and human capital and higher growth rates in per capita income (Schultz 1967).”

Thus, the effect of human capital on economic growth is a divisive; however, it is hard to deny the impact of human capital development on economic growth and development. In today’s information and technology driven age, knowledge, education and skills are of the utmost importance. Many workers in successful economies are highly trained to do a variety of tasks from operating complex machines that assemble cars to setting up large networks. Other benefits of human capital can be plainly seen in the innovation and invention of new technologies that has driven the United States’ and other Western country’s growth (Barro 1998 and Bassanini & Scarpetta 2002). Bolivia and Guatemala lack this essential human capital formation. Their large indigenous populations are poorly educated and lack opportunities to develop skills critical to human capital formation. The literature explains that this low human capital formation has severe consequences for economic development so human capital will remain as one of the most significant determinants of economic growth and wealth creation in the 21<sup>st</sup> century in Bolivia and Guatemala.

### *The Economic Effects of Discrimination*

There is a wide variety of literature on the economic effects of discrimination covering both theory and empirical studies. The first person to consider discrimination from an economic perspective was Gary S. Becker. After his academic advisers recommended that he turn his PhD

thesis into a book he wrote the *Economics of Discrimination*, in which he analyzes discrimination's effect on the incomes of the minority (African Americans) and the majority (Whites) in the US. He separates both groups into distinct economic actors that trade labor and capital and states that a "taste for discrimination" by the majority alters the trade of labor and capital between both groups. He concludes stating:

When the majority is very large compared to the minority- in the United States whites are nine times as numerous and have much more human and physical capital per capita than blacks- market discrimination by the majority hardly lowers their incomes, but may greatly reduce the incomes of the minority. However, when minority members are a sizable fraction of the total, discrimination by the majority injures them as well (Becker 1971, 9).

Many have followed Becker's neoclassical approach and have conducted empirical studies mainly focusing on African Americans and Whites in the United States. Norval D. Glenn concludes in "White Gains from Negro Subordination" that African Americans suffer from discrimination and that Whites incur very little loss. Kenneth Arrow also supports Becker's fundamental ideas in "The Theory of Discrimination." Another study in Israel used similar methodology to study the economic effects of discrimination of Arabs.

These studies provide a methodological framework for my study defining discriminatory societies as co-spherical with a distinct economic minority and majority. The studies also measure economic loss in terms of aggregate wealth and output lost to discrimination. It is also important to emphasize Becker's assertion that discrimination against a large minority population does hurt the majority population as well. This paper uses similar logic and maintains that discrimination lowers human capital formation in the indigenous population which lowers the aggregate wealth and output that is produced in Bolivia and Guatemala. Furthermore, their large indigenous populations mean that the economic loss is significantly magnified.

Completely opposite to the Becker School is the Marxist school which contends that both Whites and African Americans suffer economically because of racism and that the bourgeoisie solely benefits. Michael Reich, a Professor of Economics at Berkeley argues in his work, “Who Benefits from Racism? The Distribution among Whites of Gains and Losses from Racial Inequality,” that racism only benefits the employer and that White as well as African American workers actually suffer at the hands of the capitalists. His work is supported by several other papers (Hirsch & Roemer). These studies conform to the classic Marxist ideology proposing that employers are greedy and wish to maximize profits for themselves using discrimination as a means to lower the wages of both African Americans and Whites.

Although the ideological debate between the Marxist and Neoclassical approach is of interest, it does not hold importance to this paper. Although Becker concludes that whites incur very little loss and may benefit in the upper income stratification from racism in the United States, he clearly states that when the minority is large both the minority and the majority suffer. Becker points to Mats Lundahl’s book *Apartheid in Theory and Practice* which is about the economic effects of Apartheid in South Africa as a confirmation of this theory. Lundahl found that discrimination by the Apartheid regime economically hurt all of South Africa.

Very few studies have looked at Latin American countries with indigenous minorities and mestizo/white majorities. The region is of particular interest because of its continued socio-economic development problems. In his paper “The Cost of Discrimination in Latin America” Harry Patrinos concludes with the fact that if Guatemala had invested in education in 1960, the countries growth rate would have increased 1.3% per year until 1985. He ends his paper saying “Investing in the human capital of the large minority population and decreasing the level of discrimination against it will go a long way towards improving the standard of living of

Guatemala's indigenous and non indigenous population. This is clearly a priority research area (Patrinos 2000, 14)." This paper will seek to fill the void in this area of research looking at racism's affect on economic growth and development in Latin America.

### *Racism and GDP Loss*

There also exists another set of literature that examines the economic cost of discrimination in terms of GDP loss. The main tenants of this literature were set down by economist Andrew Brimmer in his works "The Negro in the National Economy," and The "Economic Cost of Discrimination against Black Americans." Using census data and a methodology developed by the census bureau, he calculated that between 1967 and 1993 the US had been losing between 2.9 percent and 3.8 percent in GDP because of racism. Jonas Zoninsein uses Brimmer's methodology in his work "The Economic Case for Combating Racial and Ethnic Exclusion in Latin American and Caribbean Countries" to show the economic loss in GDP as a result of racism in Bolivia, Brazil, Guatemala and Peru. Both of these works base themselves upon the gains in aggregate production and income that would result if the human capital and productivity gap between the minority and the majority was eliminated. Both stress the importance of human capital as a significant contributor to an economy because it enhances and supports "employability, innovation, productivity and income growth (Zoninsein 2001, 5)." Zoninsein finds that Bolivia's economy would have expanded 36.7% in 1997 and Guatemala's by 13.63% in 1998 if racism had been eliminated.

### *Conclusion*

This paper will use the ideas gained from the previous research about racism and its effect on economic growth and apply them to Bolivia and Guatemala. Racism is systemic and deeply entrenched in their societies and excludes the indigenous peoples from the social,

political, cultural and economic spheres of society. Both countries have large indigenous populations which I will call the minority and non-indigenous populations which I will call the majority. Although the indigenous population may be larger than 50 percent, the non-indigenous population will still be defined as the majority because of their political and economic dominance in both countries.

In Bolivia and Guatemala, the indigenous minority and non-indigenous majority contribute labor and capital to produce economic output within each country. Labor and capital are two very important factors of production that account for much of economic output. Labor is the ability of the indigenous population to work and capital is their wealth and ability to invest and grow their wealth. According to Becker, when there is no discrimination in an economy, the labor and capital of both the minority and the majority can be maximized resulting in maximum economic output. However, when discrimination exists in a society it affects the amount of labor and capital that can be produced. In the case of the indigenous peoples, racism and discrimination exclude them from education, politics and the economy, thus significantly lowering not only their capital and labor production but their human capital potential as well, an important factor of production discussed in the literature review. This paper will focus on the human capital aspect of economic output using the idea of Becker that discrimination can alter the amount of capital produced. It will also depart from Becker and Zoninsein looking at specific variables like education, poverty, economic access, and political power and their effect on human capital formation and aggregate economic production.

Human capital was defined above as the knowledge, skills, competencies and other attributes embodied in individuals that are relevant to economic activity. For example, an uneducated person is unable to gain the valuable skills and knowledge needed to output large

amounts of economic activity and will be relegated to low paying jobs or self employment. Human capital has only recently been acknowledged as an important factor of production as discussed in the literature review. In the modern era, information and technology based economies have come to dominate global economic output. These economies require workers with a large amount of human capital. Guatemala and Bolivia lack this advantage, especially their indigenous populations.

Thus, the indigenous population is unable to maximize its economic contribution because discrimination and racism exclude it from realizing the full potential of their human capital lowering the amount of economic value they produce. As a result, the aggregate wealth and economic output of Bolivia and Guatemala is negatively affected. As explained by Becker, the fact that the indigenous peoples are almost half of the population amplifies this loss leading to the economic stagnation and underdevelopment in both countries.

## **Guatemala**

Guatemala can be found on the Central American isthmus bordering Mexico, Belize, Honduras and El Salvador. It is a country of about 12.7 million people with an expected increase to 14 million by 2010. Although Guatemala is the most populous and largest country in Central America it has one of the highest poverty rates. In 2000, 56 percent of Guatemalans lived below the poverty line with more than 16 percent in extreme poverty. It is a highly unequal society with 22 wealthy oligarchic families controlling the majority of the wealth in the country. In this new millennium Guatemala has only begun to emerge from the dark shadow left behind by the military dictatorships and civil war of the 20<sup>th</sup> century that left more than 200,000 indigenous dead. As Guatemala looks toward the future, economic development and bridging the gap between the rich and poor will be two of the most important factors to its success.

## **Profile of Guatemalan Indigenous Population**

The present day indigenous peoples of Guatemala trace their roots back to the great ancient Maya civilization that stretched from southern Mexico to parts of Honduras in northern Central America. The Mayas are known for having the only fully developed written language and for their knowledge of astronomy and mathematics. At the height of their civilization the Mayan population reached over ten million people (The Great Collapse 2009). The current population according to the Guatemalan census is now a little over 5 million or 40.3% of the population although other estimates put the indigenous population at almost 60% of the population. The Maya of Guatemala are comprised of 23 separate linguistic groups. They are known for their colorful textiles and dress as well as their beliefs and continued traditions.

## **The Roots of Racism**

The conquest of Guatemala began in 1519 when Hernan Cortéz sent one of his capable young soldiers, Pedro de Alvarado, to Guatemala with 420 soldiers. Alvarado eventually conquered Guatemala, adding it to the growing Spanish empire and beginning the more than 500 years of indigenous oppression. The white European Spaniards viewed the indigenous population as inferior 'Indians' who were barely more than savages. The Spanish killed off as many indigenous peoples as they could with thousands more succumbing to European diseases. Those that survived the colonization were immediately marginalized and forced to work on Spanish farms in what is now known as the *repartimiento* system (Plant 1998, 6). The Maya were required to work a certain amount of hours on these farms for an extremely low wage. The early Spanish settlers also began confiscating indigenous land for their own use, relegating many indigenous to the status of landless unskilled laborers. This would continue after Guatemalan Independence as the indigenous gradually lost control of most of their communal lands and were

forced into labor. Several forced labor laws enacted include the *Contribucion de Caminos*, which stated all able bodied males were obliged to provide free labor to build roads, although in practice only the Maya were forced to perform it. Another one enacted in 1877 mandated that all indigenous villages supply work crews for the coffee plantations (Poverty in Guatemala 2003, 30). The racism of the Ladinos reached its apogee during the armed internal conflict that happened between 1960 and 1996. A UN mandated Historical Clarification Commission found that 200,000 indigenous Maya were killed or forcibly disappeared during the conflict and that most of the 669 massacres occurred in indigenous villages. Contemporary Guatemala is no different, with institutional racism excluding the Maya from the economic, political, and social spheres of society.

### **The Guatemalan Education System and the Indigenous Peoples**

Education is undoubtedly one of the most important social structures that the indigenous people are excluded from. In general, the Guatemalan education system is extremely poor and lacks the necessary funding and resources to be effective. Nevertheless it is especially lacking for the indigenous people, whose illiteracy rate is 47 percent (The World Bank Guate. 2009). A significant problem is that there are not enough schools for each potential student. On school registration days, thousands of indigenous parents come with their children to register them for school. When the school's available spaces are taken it shuts its doors to hundreds of children hoping for an education. Some parents even bring their own desks from home so that their children can go to school. Also, the indigenous Maya often cannot afford to pay for school supplies, uniforms and books which can often exceed more than half of their weekly pay check.

Another problem besides the lack of schools and money is the negation of the Maya culture in the classroom. The government does not provide sufficient instruction in the native



languages of the rural indigenous peoples and does not teach their history. A USAID report which assessed Guatemalan education statistics from 1997 to 2004, found that two thirds of Maya first graders are taught by instructors who neither understand nor speak the children's maternal languages. In addition only 19 percent of indigenous primary students have access to intercultural bilingual education. Also, 76 percent of all rural children who enter first grade drop out before completing primary school, which ends at sixth grade (Increasing Educ. access 2004, 2). The majority of these rural children are indigenous. Many Maya parents simply refuse to send their children to school believing it is not worth it because the government does not do enough to educate their children. Educational access for girls is also severely limited. The average non indigenous male attends school for 8.0 years while rural, indigenous females only attend on average for 1.2 years. These statistics clearly show the Maya's severely limited access to education and how the state ignores their needs. Education is one of the most important social structures for self advancement, class mobility and human capital formation. If the indigenous peoples cannot read, write, or analyze, how will they ever advance economically and politically?

### **The Guatemalan Political System and the Indigenous Population**

The political system of Guatemala also excludes the indigenous peoples on many different levels. The law of Civil Service does not take into account ethnic and linguistic requirements for state employees working in indigenous areas. This means that government officials appointed to administer certain policies in heavily populated indigenous departments are not required to have any ethnic or linguistic background to deal with the indigenous population (Cuxil 2007, 127). The government also considers Spanish to be the only official language of Guatemala and conducts most of its business in it. Since the end of the war and the 1996 peace accords, which sought to advance indigenous rights, various institutions and groups including

MINUGUA (The UN Verification Mission in Guatemala), the Office of the High Commissioner for Human Rights (OACDH), and the Presidential Commission against Discrimination and Racism against Indigenous Nations (CODISRA) have reported that there has been little to no progress toward recognizing and respecting indigenous identity in establishing a multi-national state, with the result that (1) the ethnic diversity of the country is still not recognized as one of its greatest riches, (2) the state model of exclusion and mono-culturalism continues to exist, and (3) the continued existence of racism(s) indicates the absence of a national project and the lack of a national agenda that includes the Maya (Cuxil 2007, 129). These reports unfortunately highlight what little progress has been made in including the indigenous population in the political process and society as a whole.

The indigenous also face exclusion from taking political office, a powerful place from which they could fight for better treatment and equality. Analyzing the number of indigenous politicians confirms this exclusion as the indigenous peoples are barely represented in the main Guatemalan government and underrepresented locally. Statistics for the number of Indigenous mayors from 1996 to 2008 show that out of 331 mayors only 110 were indigenous in 1996 and only 119 were in 2008, an increase of 9 percent in twelve years. Data for the number of indigenous delegates to congress shows that only 7.6% of congressional delegates are indigenous (Cuxil 2007, 134). This clearly demonstrates that a group representing almost half the population is discriminated against and often excluded from holding political office. This political exclusion leaves the indigenous population at a disadvantage in society where it is hard to advance socially.

### **Guatemalan Economic Exclusion of the Indigenous Population**

The indigenous Maya are also excluded economically and are among the poorest in Guatemala. In the year 2000 74% of indigenous Maya lived in poverty compared to 38% for non indigenous people (The World Bank Guate. 2009). Also 24.3% of indigenous Maya lived in extreme poverty compared with only 6.5% of non indigenous people living in extreme poverty. Guatemala actually has the second worst income distribution in Latin America, second only to Haiti, the poorest nation in the Western Hemisphere. The indigenous Maya also earn less money and mainly work in the agricultural and migrant labor sectors of the economy. Almost 60% live in rural areas where opportunities are few and far between. A startling statistic tells us that 55.2% of the Maya have access to the water network compared with the 70.4% access of non indigenous people (United Nations MINAGUA 2001, 11). Access to the sewerage system and the electrical grid are also significantly lower for the indigenous population as well.

## **Methodology**

I will now look at the economic effects of racism using an empirical analysis. This analysis will use Guatemalan censuses and home surveys from 1989, 2000 and 2006 obtained from the Guatemala Institute of Statistics (see appendix I). The analysis will test my hypothesis that low human capital formation and social exclusion as a result of racism hurts Guatemala's economic development. The independent variables will measure low human capital formation due to racism and the dependent variable will measure aggregate economic development. The variables will represent statistics from each of the 22 departments of Guatemala to increase the sample size.

The dependent variable will measure the aggregate economic performance of Guatemala using the total poverty rate for all citizens of each department. The total poverty rate is an excellent indicator of overall economic performance because it measures the economic success

of all citizens. Since poverty represents economic failure, it is quite clear that it represents an economic loss in output as well. This paper is trying to prove the relationship between this aggregate economic loss and racism against indigenous peoples.

The first two independent variables will measure the education level of the indigenous population using their illiteracy rate and percentage schooling for each department. Illiteracy is an excellent indicator of exclusion and low human capital formation because if a person cannot read they will be most likely unable to perform complex tasks or hold jobs that require a lot of reading and writing. The percentage of schooling of the indigenous population, which represents the average number of years of schooling for indigenous students in each department divided by the total number of years of a complete education (8 years), is also an excellent indicator of exclusion and low human capital formation, because not attending school will most likely relegate a person to the agricultural or informal sector where pay is low and opportunities to advance are limited. These indigenous specific variables will be tested to see if they correlate with the dependent variable that will measure aggregate economic development. I expect to see both variables highly correlate to aggregate economic performance in Guatemala.

The second independent variable will measure indigenous economic performance for each department in Guatemala using the indigenous poverty rate for each department. The poverty rate is a good indicator of exclusion and low human capital formation because it shows that indigenous peoples lack the economic opportunities and access to advance. This means they cannot produce a significant economic output fitting my hypothesis that their lower contribution harms the aggregate economic development of the country. I will test this variable against the dependent variable of aggregate economic performance and I expect to see it highly correlate.

The third independent variable will measure political access using the percentage of indigenous mayors for each department. It represents the number of indigenous mayors out of the total number of mayors for each department. It is a good indicator of exclusion and low human capital formation because political power is an important component of changing one's situation. If the indigenous population could somehow mobilize and gain political power they would be able to advocate for changes that would improve their economic situation. I expect to see this variable correlate to the dependent variable of aggregate economic performance.

## Empirical Test

OLS Regression for Total Department Poverty (Dependent Variable) and Independent variables: Indigenous illiteracy rate for those 15 years and older, Percent of schooling of the indigenous population, Indigenous poverty rate, and the Percentage of indigenous mayors per department.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920 <sup>a</sup>	.847	.811	.0645257

a. Predictors: (Constant), %ofindig mayors per township, Indigenous Poverty Rate, Indigenous Illiteracy 15yrs+, % ofSchooling

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.393	4	.098	23.583	.000 <sup>a</sup>
	Residual	.071	17	.004		
	Total	.464	21			

a. Predictors: (Constant), %ofindig mayors per township, Indigenous Poverty Rate, Indigenous Illiteracy 15yrs+, % ofSchooling

b. Dependent Variable: Total Dpt Pov

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.579	.315		1.835	.084	-.087	1.244
	Indigenous Illiteracy 15yrs+	-.837	.343	-.606	-2.438	.026	-1.562	-.113
	%ofSchooling	-1.453	.539	-.711	-2.698	.015	-2.589	-.317
	Indigenous Poverty Rate	1.014	.152	.780	6.673	.000	.693	1.334
	%ofindig mayors per township	.047	.056	.090	.848	.408	-.070	.165

a. Dependent Variable: Total Dpt Pov

The indigenous poverty rate which measured economic exclusion was highly significant (.000). The indigenous illiteracy rate and percent of schooling which measured exclusion from education also tested highly significant (.026 & .015). The percent of indigenous mayors was not significant (.408). The empirical analysis reveals that indigenous poverty, illiteracy and schooling are highly significant predictors for overall poverty and that the number of indigenous mayors is not. The R-squared statistic shows that the four variables predict 84.7% of overall poverty in Guatemala.

The empirical test of the hypothesis (exclusion due to racism causes economic harm and underdevelopment for all of Guatemala) is accepted. The test proved that institutional racism in Guatemala does hurt the country as a whole. Education is one of the most important structures for advancing socially and economically which the indigenous people lack. The analysis shows that their low level of educational attainment affects the entire country. Guatemalan politicians need to realize that future economic growth and development hinges on their attempts at including the indigenous into the national education system. If the indigenous people cannot read or have attended school for only 2 years they will be unable to contribute significantly to the economic success of the country and be relegated to unskilled labor or agricultural jobs. The analysis also showed the importance of including the indigenous people in the economy of Guatemala. If they are not given opportunities to hold better jobs or advance in salary and position how will the country grow economically given they constitute 50% of the population?

The study showed that the number of indigenous politicians does not influence the country's overall economic status. Although political seats were found to not be of importance, I still believe that a large concentrated indigenous political movement could influence politicians to bring about change. Thus, economic and educational exclusion created by institutional Ladino

racism severely limits the ability of the Maya to maximize their human capital and productive capacity. They are unable to gain the skills, knowledge, access and other important attributes associated with high economic output. The institutional nature of the exclusion relegates them to a continuous cycle of poverty and low economic output harming all of Guatemala.

## **Bolivia**

Bolivia is a landlocked country found in the middle of South America and borders Peru, Argentina, Paraguay and Brazil. It is home to more than 8.8 million people and is expected to reach a population of almost 10 million by 2010. Bolivia has an abundance of natural resourcing including South America's second largest natural gas reserves, a large oil reserve, precious minerals such as tin, gold, and silver and the largest deposit of lithium in the world. Despite this natural wealth Bolivia has the lowest GDP per capita in all of South America. 59 percent of the population lives below the poverty line with 24.4 percent living in extreme poverty. Bolivia is trying to meet its socioeconomic challenges in the millennium with aggressive social policies. Its indigenous president, Evo Morales, has nationalized the country's natural gas reserves and has vowed to support the growing of the coca leaf. Bolivia will look to further increase access to education and health for its impoverished citizens and look to its natural resources for future wealth and prosperity.

### **Profile of Bolivian Indigenous Peoples**

The present day indigenous population of Bolivia is composed of mainly two groups: the Quechuas and the Aymaras who together make up almost 55% of the population of Bolivia. The Quechuas are descended from the Incas whose vast empire stretched from Chile to Peru while the Aymaras inhabited the Bolivian altiplanos until they were conquered by the Incas. The Aymaras are known for being hard working peasants who cultivating the coca leaf. Bolivia is

also home to the minority indigenous groups the Guaraní and the Chiquitano and constitutionally recognizes 36 native languages.

### **Roots of Exclusion**

Like Guatemala the subjugation and exclusion of the indigenous peoples began with the conquest and colonization of Bolivia in the 16<sup>th</sup> century. Those that were not killed by the Spanish died of the diseases that they had brought with them from Europe. The Spanish established the *repartimiento* system that put the indigenous to work in agriculture and mining. Thousands of indigenous had to leave their families and many died in the mines. The Spanish crown also later forced indigenous people to work in timber mills. After Bolivia won its independence in 1825, the indigenous lost the protections that had been afforded to them under the Spanish Crown, and in a system similar to that of Guatemala, their lands were confiscated by the Bolivian elite and they were forced to work on the ranches in a system called *pongueaje*. In 1899, the Bolivian elite organized an indigenous army to fight for Federalism promising land and freedom. After the war the elite betrayed the indigenous army leaders and executed them (Van Cott 2000, 164). Only in 1945 was the forced labor system abolished. Racism still exists in Bolivia even as the indigenous have gained more political power. They still lag behind their White and Mestizo compatriots in access to social structures like education.

### **The Bolivian Education system and the Indigenous**

Although the Bolivian education system is relatively poor it has recently made advances in coverage, funding and bilingual education. Bolivia's current indigenous illiteracy rate is 19.61% compared to Guatemala's indigenous illiteracy rate of 53% (The World Bank Bolivia 2009). The Bolivian education system has been able to include the indigenous and teach them bilingually because of an important educational reform passed in 1994. The reform considered



the expansion and improvement of schooling as a means to further regional and national development and sought changes in four main areas: coverage, quality, equity and efficiency (Contreras 2003, 16). After passing, the law brought about huge changes in the Bolivian education system.

It established eight years of compulsory education, opened up teaching jobs to all four year university degree holders, improved the training of teachers, focused on interactive learning, provided new text books, decentralized the education system to the municipal level and involved parents more in the education of their children (Contreras 2003, 17). Most importantly, the law stipulated a bilingual and intercultural education that would teach indigenous children how to read and write in their own languages and then transition to a Spanish education. Bilingual and intercultural education advocates felt bilingual education had the potential of playing “a role of utmost importance in changing aspects such as internalized racism deeply rooted in this stratified society (Biermayr-Jenzano 2001, 141).” Though the new system has experienced some problems it is perhaps the most advanced in all of the indigenous Andean countries.

### **The Bolivian Political System and the Indigenous**

Like the Guatemalan political system, indigenous Bolivians have been excluded for most of the 20<sup>th</sup> century from political participation. Unlike the Guatemalan system, the indigenous population has recently become a very strong and powerful group in Bolivian politics. Their political enfranchisement began in the 1970s when improvements in literacy produced a small indigenous intellectual group who maintained contact with the rural impoverished indigenous villages through radio broadcasts and personal networks. The resulting *campesino* movement spurred the creation of several indigenous political groups throughout Bolivia that sought to curb increasing expansions by the economic elite of the country. In 1990, a 35 day, 330-km march to

La Paz by the Confederation of Indigenous Peoples of Beni cemented the ability of the indigenous peoples to mobilize politically. After this event the country's main political parties began to realize the impact that the indigenous vote could have. In 1993 Gonzalo Sánchez de Lozada chose the indigenous Amayra, Víctor Hugo Cardenás, as his running mate leading to a decisive victory.

In 1994, the Law of Popular Participation established local governments in the rural parts of Bolivia and provided for direct municipal elections (Vancott 2000, 169). Other enfranchising methods included voter registration drives, education campaigns and indigenous leader training. Around this time Quechua coca farmers formed the Sovereign Assembly of the People, one of the first major indigenous political parties. In addition, in the 1990s, Mestizo and White political elites began to fear a growing militancy among indigenous people especially as seen from the Shining Path of Peru, an indigenous guerrilla organization. President Sánchez de Lozada stressed the importance of celebrating the cultural and linguistic diversity of Bolivia. Vancott states "By the mid-1990s it had become evident that Bolivia would never attain political stability and economic development by continuing to exclude the indigenous majority from the opportunities of democracy and the market (Vancott 2000, 171)." Currently Bolivia has its first indigenous president Evo Morales, who for the first time, is trying to include the indigenous population into the economic and political life of the country.

### **Economic Exclusion of the Indigenous Peoples**

The poverty rate for the indigenous in Bolivia is an alarming 80 percent, with more than half below extreme poverty. In 2001 the mean income per capita of the indigenous person was \$46 per month compared to the \$74 for the non-indigenous person (Contreras 2003, D. i). This large gap demonstrates the inherent exclusion faced by indigenous Bolivians still to this day.

They work mostly in the informal sector and earn the majority of their income from agriculture and self employment. Also, they mostly live in rural areas which lack opportunities to advance socioeconomically.

## **Methodology**

I will now look at the economic effects of racism using an empirical analysis. This analysis will use Bolivian censuses from 1992 and 2001 obtained from the Bolivian Institute of Statistics (See Appendix II). The analysis will test the hypothesis that low human capital formation and social exclusion due to racism lowers Bolivia's economic development and will follow the same framework used in the Guatemala analysis. The variables will represent statistics from each of the 9 departments of Bolivia to increase the sample size.

The dependent variable will measure aggregate economic performance using the Total Poverty Rate for each department in Bolivia. The total poverty rate is an excellent indicator of overall economic performance because it measures the economic success of all citizens. Since poverty represents economic failure, it is quite clear that it represents an economic loss in output as well. This analysis is trying to prove the relationship between this aggregate economic loss and racism against indigenous peoples.

The first two independent variables will measure the education level of the indigenous population using their illiteracy rate and percentage without schooling for each department. Illiteracy is an excellent indicator of exclusion and low human capital formation because if a person cannot read they will be most likely unable to perform complex tasks or hold jobs that require a lot of reading and writing. The percentage of indigenous people without schooling is also an excellent indicator of exclusion and low human capital formation, because not attending school will most likely relegate a person to the agricultural or informal sector where pay is low

and opportunities to advance are limited. These indigenous specific variables will be tested to see if they correlate with the dependent variable that will measure aggregate economic development. I expect to see both variables highly correlate to aggregate economic performance in Bolivia.

The next two variables will measure economic exclusion using the percentage of indigenous with unsatisfied basic needs and the percentage of indigenous in the primary sector for each department. The percentage with unsatisfied basic needs is an especially good indicator because it represents many facets of social exclusion: lack adequate housing conditions, water, sanitation, electricity and education. Families who lack access to these things do not produce much economic output and I expect to see this variable correlate to the aggregate economic performance of Guatemala. The percentage of indigenous in the primary sector is also a good indicator of economic exclusion because it represents those who work in the lowest level of the three sector model developed by economists Colin Clark and Jean Fourastié. Workers in the primary sector extract raw materials for other industries and work in agriculture, mining, fishing and other similar industries. These jobs are usually low paying and labor intensive meaning the indigenous do not output much economic value. I expect to see this variable correlate with the aggregate economic performance of Bolivia.

## Empirical Test

OLS Regression for Total Department Poverty (Dependent Variable) and Independent variables: Indigenous illiteracy rate for those 15 years and older, Percentage of indigenous without Schooling, Percentage of indigenous with unsatisfied basic needs, and the percentage of indigenous people in the primary sector.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998 <sup>a</sup>	.996	.995	.00835

a. Predictors: (Constant), %of pop in primary sector, Indigenous Illiteracy 15yrs+, % with Unsatisfied Basic Needs, % with no schooling

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.217	4	.054	778.847	.000 <sup>a</sup>
	Residual	.001	13	.000		
	Total	.218	17			

a. Predictors: (Constant), %of pop in primary sector, Indigenous Illiteracy 15yrs+, % with Unsatisfied Basic Needs, % with no schooling

b. Dependent Variable: Dpt Pvrty Rate

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.015	.013		1.217	.245	-.012	.043
	Indigenous Illiteracy 15yrs+	.075	.213	.063	.353	.730	-.386	.536
	% with no schooling	-.058	.219	-.048	-.264	.796	-.531	.416
	% with Unsatisfied Basic Needs	1.035	.027	1.079	37.956	.000	.976	1.094
	%of pop in primary sector	-.092	.020	-.126	-4.725	.000	-.134	-.050

a. Dependent Variable: Dpt Pvrty Rate

The percentage of indigenous people with unsatisfied basic needs and percent of indigenous in the primary sector which measured economic exclusion were highly significant (.000 & .000).

The indigenous illiteracy rate and percent with no schooling which measured exclusion from education did not test significant (.730 & .796). The empirical analysis reveals that indigenous exclusion from the economy is a highly significant predictor for the overall poverty of Bolivia and that exclusion from education is not. The R-squared statistic shows that the four variables predict 99.6% of overall poverty in Bolivia.

The empirical test of the hypothesis (exclusion due to racism causes economic harm and underdevelopment for all of Bolivia) is partly accepted. The test proved that institutional racism in Guatemala does hurt the country as a whole but only with respect to economic exclusion. The insignificance of educational exclusion most likely stems from Bolivia's recent attempts at education reform that were discussed. The government has begun to include the indigenous and institute effective bilingual education programs. The analysis also showed the importance of including the indigenous people in Bolivia's economy with economic exclusion highly correlated to overall poverty. The large income gap and lack of opportunities to hold better jobs

significantly decreases the ability of the indigenous to maximize output. Since they are almost 60% of the population this negatively affects the entire country.

### **Comparing the Results in Guatemala and Bolivia**

The results of the two empirical tests show two different very different situations in Bolivia and Guatemala. The results in Guatemala demonstrated that a lack of education among the indigenous significantly correlates to the aggregate economic underdevelopment of Guatemala. In the case of Bolivia a lack of education amongst the indigenous population did not significantly correlate to aggregate economic underdevelopment. This discrepancy can be attributed to differences in the education systems in Bolivia and Guatemala. Bolivia's education system is much more inclusive of its indigenous citizens and more effective in educating the population. The key components of the 1994 education reform law included the expansion of educational coverage, bilingual education, more qualified teachers, and new text books all on a national level.

The Guatemalan government has failed to enact sweeping national reforms like those of Bolivia. Indigenous students are not attending school and lack basic skills and knowledge. The indigenous illiteracy rates of both countries reflect this large disparity: 19.61 percent in Bolivia compared to 53 percent in Guatemala. The falling literacy rate of indigenous Bolivians and their increased school attendance will allow them to be smarter and more economically successful as Bolivia seeks to pull itself out of poverty and underdevelopment. On the contrary, indigenous Guatemalans still lack the proper education system to become economically successful and shed the fetters of poverty. They will continue to remain uneducated and unable to make any significant economic contribution to the country.

With regards to economic exclusion, both empirical tests accepted the hypothesis that economic exclusion of the indigenous people does correlate to an economic loss for the entire country. In Guatemala, the indigenous poverty rate correlated to the total poverty in the country. In Bolivia the percentage of indigenous people in the primary sector and with unsatisfied needs correlated to total poverty in the country. Although both empirical tests show a relationship between economic exclusion and aggregate economic loss it must be emphasized that the results tell us different stories about each country. In Guatemala, it is clear that the impoverishment of the indigenous Maya is the result of racism as discussed above. The institutional nature of this racism continues to generate poverty leading to aggregate economic loss. In Bolivia however, there is a different story. It is certainly true that the indigenous live in poverty historically tied to racism; however, their contemporary situation along with the results of the test suggests that the root cause might be more of a developmental problem and less a one of racism.

The first variable tested was percent with unsatisfied basic needs. This represents mainly a lack of access to infrastructure such as electricity, water and sanitation. The second variable tested was percent in the primary sector which mainly represents the agricultural, mining, fishing and other natural materials industries. The results suggest that the indigenous peoples, who primarily live in rural areas, simply lack the modern development needed for economic growth. A 2006 ippg (Research Programme Consortium on Improving Institutions for Pro-Poor Growth) briefing on the lack of economic growth in Bolivia stated: “The lack of economic growth [in Bolivia] can be explained, at least for the last quarter century, by too little investment (Wiggins 2006, 2).” The current Bolivian government of Evo Morales is concentrating its efforts on bringing this much needed economic development to the long excluded indigenous population in order to, according to a government pamphlet, “decolonize the mindset and the Bolivian state (Reel 2007, 1)”

## **Brief Discussion of Peru**

Although a lack of data prevented an empirical test, it is important to discuss Peru and its differences with Guatemala and Bolivia. Peru shares many of the same characteristics with both Bolivia and Guatemala. Its indigenous population is 45 percent and it shares a common history of Spanish conquest, colonization and marginalization of the indigenous; however, Peru is a unique case. Its economy is robust and strong compared to Guatemala and Bolivia. The economy grew by 4% from 2002-06 and then by 9% in 2007 and 2008. It has a GDP per capita nearly double that of Guatemala and Bolivia and has reduced its national poverty rate by 15% since 2002 (CIA Peru 2009). How has a country with such seemingly similar characteristics managed to be so economically successful compared to Bolivia and Guatemala?

Part of the answer lays in the progressive nature of Peruvian society and its unique attitude toward its indigenous citizens. Academic observers have commented on the ‘exceptionalism’ of Peru with regards to the indigenous people. Marisol de la Cadena, a renowned Peruvian anthropologist writes, “The exceptionalism of Peru stems from the redefinition of mestizo by Peruvian intellectuals as a way to develop the idea of de-indianization (Garcia 2005, 8).” These intellectuals specifically disregard the common stereotypes of indigenous peoples as backward and inferior and present the indigenous culture as an important component of the Peruvian identity and compatible with modernity. This acceptance and embrace of the indigenous identity as part of the national identity has fostered a more tolerating multicultural environment that has started to include the indigenous people.

When we look at the statistics it is clear that the indigenous people in Peru fair much better than Guatemala and Bolivia. The average years of schooling in Peru for an indigenous person is 6.4 compared to 5.9 in Bolivia and 2.5 in Guatemala. Indigenous Poverty in Peru is



62.3% compared to 74% in Bolivia and Guatemala (The World Bank 2009). Although indigenous Peruvians still face some exclusion it is much less than in Bolivia and Guatemala. Clearly a more inclusive Peruvian state has helped its indigenous citizens contribute to the economically and to the national identity.

In addition to a more multicultural state, Peruvian economic policies have also helped it reach high rates of growth. Successive governments have implemented various neoliberal policies that have given Peru the highest rate of growth in Latin America. Such policies include heavy foreign investment, privatization, lower trade barriers, a high number of exports and other developmental initiatives. Since the indigenous face far less exclusion they are able to benefit from these policies helping to not only lift themselves out of poverty but contribute to the aggregate economy as well. Although different in many aspects, Bolivia and more so Guatemala might look towards Peru as a successful model of not only including the indigenous into the national identity and economy but also increasing its economic development in the process.

## **Conclusion**

This paper has studied the economic effects of racism in Bolivia and Guatemala, two countries with millions of marginalized and excluded indigenous citizens who have faced racism and exclusion for more than five hundred years since the Spanish conquistadors first set foot onto the New World. A very clear consequence of this exclusion is the high incidence of poverty among the indigenous peoples. Often living on less than one dollar a day they struggle to even provide enough food for their children. What is less evident and often not considered, is the effect of this exclusion on the non-indigenous population and the country as a whole. Building upon previously conducted scholarly work dealing with the economic effects of racism, this paper argued that racism can in fact harm the aggregate economy of a country because the

indigenous' human capital formation is significantly lowered, resulting in a decrease in value of the labor and capital they can contribute to the economy. This decrease lowers the aggregate wealth and economic output of the entire country, and because the indigenous peoples of both Guatemala and Bolivia comprise more than half of the population, this loss in aggregate wealth and economic output is significantly magnified.

Employing this framework to analyze the economic effects of racism in each country, this paper found that in Guatemala, exclusion from education and the economy significantly harmed the overall economic success of the country while in Bolivia, it found that education was not a significant factor and that the economy was. As discussed above these results highlight the differences between the two countries. Guatemala remains a country of extreme inequality and exclusion. Its institutional racism has existed for over 500 years with no end in sight. On the other hand, a powerful indigenous movement in Bolivia has enfranchised a large number of indigenous people giving them the political power to change Bolivia. Its first indigenous president Evo Morales, recently reelected to another term on December 6, 2009, is delicately trying to balance the important task of including the indigenous into the national society while not alienating the non-indigenous elite. Bolivia has a robust and improving bilingual education system that seeks to close the inequality gap between the indigenous and non-indigenous population. This progressive wave may serve as a model or source of inspiration for Guatemala; however, it must first begin the long and complex process of including its indigenous citizens into the national society.

Adding to the complexity of race and poverty is the case of Peru, which has the largest indigenous population in Latin American by population size. It is a model of economic success and is far more developed relative to Bolivia and Guatemala. Although it shares a common

history of exclusion, its indigenous citizens enjoy far more inclusion into the Peruvian society and economy. Looking at Peru, it is easy to realize that economic success can be possible with a large indigenous population. Bolivia for example, has a large endowment of natural resources just like Peru but cannot seem to take advantage of it. Policy planners and government officials in Bolivia and Guatemala need to realize that future economic success hinders on their efforts to include the indigenous population in the economy, the classroom, the government and foremost the national identity and society.

Although this study specifically looked at the effects of racism on the economy, many other factors contribute to the economic growth and development of Bolivia and Guatemala. Factors such as political instability, like the 36 year civil war in Guatemala (albeit tied to Ladino racism against the indigenous) and a revolutionary movement in Bolivia, economic policies, violence, drug trafficking and others all effect the economic development of each country. Although this paper did not take these factors into consideration, future research should aim to explain their contribution in relation to racism. In addition, other research should explore the so called “white” Latin American countries; Costa Rica, Uruguay, Chile and Argentina, to see if there is a correlation between racial homogeneity and economic prosperity. It is important for scholarly research to continue looking at race and economic success to better understand why Latin American countries and other countries with such large indigenous populations are so poor.

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## **Appendix I**

### **Guatemalan statistical data taken from:**

Guatemala. Asociación de Investigación y Estudios Sociales. Investigaciones Sociopolíticas. Guatemala: Informe Analítico del Proceso Electoral 2007.

Guatemala. Asociación de Investigación y Estudios Sociales. Investigaciones Sociopolíticas. Guatemala: Informe Analítico del Proceso Electoral 2002.

Guatemala. Instituto Nacional de Estadística. Encuesta Nacional sobre Condiciones de Vida ENCOVI 2000: La Pobreza en Guatemala, Principales Resultados.

Guatemala. Instituto Nacional de Estadística. Encuesta Nacional de Condiciones de Vida 2006.

Guatemala. Instituto Nacional de Estadística. Perfil de la Pobreza: Encuesta Nacional Sociodemográfica 1989.

Guatemala Instituto Nacional de Estadística. XI Censo Nacional de Población y VI de Habitación (CENSO 2002)

**Statistical Data Table:**

Department	Year	Total Dpt Pov	Indigenous Illiteracy 15yrs+	%ofSchooling	Indigenous Poverty Rate	%ofindig mayors per Dept.
Guate	1989	0.542	0.38		0.822	
Guate	2000	0.18	0.328		0.358	0.176
Guate	2006	0.163			0.408	0.23
El progreso	1989	0.764	0.339		1	
El progreso	2000	0.518	0.33		0.383	0
El progreso	2006	0.418			0.383	0
Sacatepequez	1989	0.7	0.333		0.851	
Sacatepequez	2000	0.517	0.272		0.333	0.25
Sacatepequez	2006	0.365			0.416	0.437
Chimaltenango	1989	0.883	0.402		0.932	
Chimaltenango	2000	0.517	0.328		0.308	0.562
Chimaltenango	2006	0.605			0.416	0.562
Escuintla	1989	0.709	0.499		0.797	
Escuintla	2000	0.517	0.457		0.275	0.077
Escuintla	2006	0.414			0.325	0.23
Santa Rosa	1989	0.756	0.41		1	
Santa Rosa	2000	0.686	0.389		0.3	0
Santa Rosa	2006	0.579			0.341	0
Solola	1989	0.849	0.583		0.92	
Solola	2000	0.64	0.481		0.241	0.85
Solola	2006	0.746			0.358	0.842
Totonicapan	1989	0.884	0.511		0.908	
Totonicapan	2000	0.64	0.442		0.25	0.875
Totonicapan	2006	0.719			0.35	1
Quezaltenango	1989	0.734	0.413		0.855	
Quezaltenango	2000	0.64	0.356		0.316	0.458
Quezaltenango	2006	0.44			0.416	0.583
Suchitepequez	1989	0.822	0.528		0.925	
Suchitepequez	2000	0.64	0.454		0.216	0.35
Suchitepequez	2006	0.547			0.325	0.1
Retalhuleu	1989	0.772	0.451		0.862	
Retalhuleu	2000	0.64	0.418		0.266	0
Retalhuleu	2006	0.504			0.35	0
San Marcos	1989	0.901	0.532		0.985	
San Marcos	2000	0.64	0.482		0.208	0.241
San Marcos	2006	0.655			0.3	0.482
Huehuetenango	1989	0.921	0.63		0.97	
Huehuetenango	2000	0.821	0.549		0.183	0.709
Huehuetenango	2006	0.713			0.258	0.709
Quiche	1989	0.957	0.683		0.966	
Quiche	2000	0.821	0.604		0.15	0.523
Quiche	2006	0.81			0.241	0.666
Baja Verapaz	1989	0.892	0.627		0.991	
Baja Verapaz	2000	0.84	0.549		0.2	0.125
Baja Verapaz	2006	0.704			0.275	0.375
Alta Verapaz	1989	0.921	0.717		0.939	
Alta Verapaz	2000	0.84	0.564		0.133	0.666
Alta Verapaz	2006	0.788			0.258	0.5
Peten	1989	0.754	0.648		0.928	
Peten	2000	0.68	0.536		0.158	0.25
Peten	2006	0.57			0.266	0.25
Izabal	1989	0.568	0.601		0.538	
Izabal	2000	0.518	0.516		0.2	0.4
Izabal	2006	0.517			0.283	0.4
Zacapa	1989	0.736	0.428		1	
Zacapa	2000	0.518	0.378		0.308	0
Zacapa	2006	0.539			0.316	0
Chiquimula	1989	0.85	0.701		0.966	
Chiquimula	2000	0.518	0.721		0.15	0.09
Chiquimula	2006	0.595			0.15	0
Jalapa	1989	0.845	0.564		0.952	
Jalapa	2000	0.686	0.52		0.175	0.285
Jalapa	2006	0.612			0.266	0
Jutiapa	1989	0.81	0.452		1	
Jutiapa	2000	0.686	0.413		0.275	0
Jutiapa	2006	0.473			0.316	0



## Appendix II

### Bolivian statistical data taken from:

Bolivia. Instituto Nacional de Estadística. El Censo Nacional de Población y Vivienda 2001

Bolivia. Instituto de Estadística. El Censo de Población y Vivienda de 1992

### Statistical Data Table:

Department	Year	Dpt Pvrty Rate	Indigenous Illiteracy 15yrs+	% with no schooling	% with Unsatisfied Basic Needs	%of pop in primary sector
Chuquisaca	1992	0.77	0.4514	0.4422	0.798	0.7424
Chuquisaca	2001	0.701	0.3301	0.3402	0.701	0.4157
La Paz	1992	0.708	0.2195	0.24	0.711	0.4953
La Paz	2001	0.662	0.1592	0.1667	0.662	0.396
Cochabamba	1992	0.7109	0.2517	0.2445	0.711	0.5363
Cochabamba	2001	0.55	0.1872	0.1765	0.55	0.4184
Oruro	1992	0.7061	0.1953	0.2131	0.702	0.5277
Oruro	2001	0.678	0.1444	0.146	0.678	0.5077
Potosí	1992	0.8	0.4135	0.4053	0.805	0.7724
Potosí	2001	0.797	0.3195	0.3296	0.797	0.5895
Tarija	1992	0.6664	0.2652	0.2878	0.692	0.7213
Tarija	2001	0.508	0.1946	0.1949	0.508	0.3976
Santa Cruz	1992	0.5857	0.2009	0.1982	0.605	0.5801
Santa Cruz	2001	0.38	0.1407	0.1304	0.38	0.355
Beni	1992	0.774	0.247	0.2503	0.81	0.75
Beni	2001	0.76	0.1928	0.1955	0.76	0.5218
Pando	1992	0.806	0.1479	0.1531	0.838	0.8672
Pando	2001	0.724	0.1105	0.118	0.724	0.3967