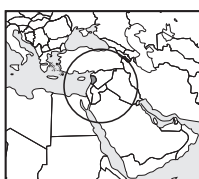


Poverty and wealth disparities

ADIB NEHMEH¹



Economic and social disparities are accompanied by similar disparities in the human development indicators, specifically in health and education. Poverty and poor living conditions evolve simultaneously with negative human development indicators, which in turn contribute to re-generating poverty and further increasing disparities.

Lebanon had a *per capita* gross domestic product of about USD 5,000 at the close of 2000, and fell into the international classification of 'mid-developed' country. Poverty takes a different shape in Lebanon than in countries classified as 'very poor'. In previous reports on Lebanon published in *Social Watch*, various causes of poverty were analysed.

This report focuses on one main cause, the unequal distribution of wealth and income. Income and wealth distributions are important in a country where market relations dominate most aspects of life.

Social inequity in Lebanon has a long historic foundation. Social disparity is associated with regional disparity that dates back to the transition to capitalism, which started in the centre of the country decades before moving to peripheral regions.

The geo-political partition that developed during the war (1975-1990) led to new kinds of political marginalisation in certain regions. This marginalisation is reflected in the level of political representation and participation in decision-making at the national level. Thus regional disparity has a cultural and political dimension in addition to the social and economic one. This situation of marginalisation is self-reproducing and threatens the social and national fabric of the country.

Phases of regional disparities

Regional disparity is an old phenomenon in Lebanon. Many social researchers and historians have reported on the differences between central and peripheral Lebanon in terms of social and economic characteristics, development indicators, and social structure.

In general, three different phases in the evolution of regional/social disparity can be identified:

The first phase resulted from different levels of penetration of western capitalism of the 18th and 19th centuries into the Lebanese regions. Capitalism penetrated the Mount Lebanon and Beirut areas many decades before it reached other regions. As a result, institutionalisation, formation of modern social groups and classes, diversity of economic activities, expansion of wealth and income resources, *etc.*, did not evolve at the same pace and in the same chronology in all the regions. Regional disparities were evident in basic development indicators, such as provision of public services (roads, water networks, electricity, *etc.*), provision of educational services, and the dominance of traditional farming systems in the peripheral societies whose degree of capitalisation and integration into market relationships was lower than in Beirut and Mount Lebanon.

The second phase started in with the Presidency of General Fouad Shehab in 1958 and ended when the war began in 1975. This phase was characterised by relatively high rates of economic growth and a social-administrative reform

project, since overcoming regional disparities was among the first priorities. In this phase, there was a horizontal expansion of market relations and a geographic diffusion of capitalism in the peripheral regions. Disparity was reduced with respect to provision of infrastructure and public services. Disparity related to economic growth that was centred in the capital and its suburbs was magnified, promoting the migration of labour to the capital.

The third phase in the evolution of regional and social disparity is the current phase, which began with the halt of military actions in Lebanon. Regional disparity is still a fundamental phenomenon in the 1990s, with no substantive change since the 1960s. Discrepancies at the level of infrastructure and public services have become less significant than others. The four major areas of disparity are:

- Disparity in economic diversity and activities (number and types of institutions, economic activities, size of credits and deposits, and a notable difference in the age structure indicating migration of labour to the capital).
- Disparity in human development levels (illiteracy rates, school enrolment, *etc.*). This disparity will have a significant future impact on productive capacity and diversity of economic activities.
- Disparity in social structure and living conditions (income levels, percentage of the poor, *etc.*). The social structure in Beirut and Mount Lebanon is different than in the other four *mohafaza* (departments).
- Disparity in political representation and participation in decision-making processes (size and diversity of representation, sense of marginalisation of participation that prevails among residents at the periphery).

Economic and social disparities build on mechanisms of political and cultural disparities and overlap with various religious affiliations in the different regions.

Social disparities at the end of the 1990s

Disparity in income distribution

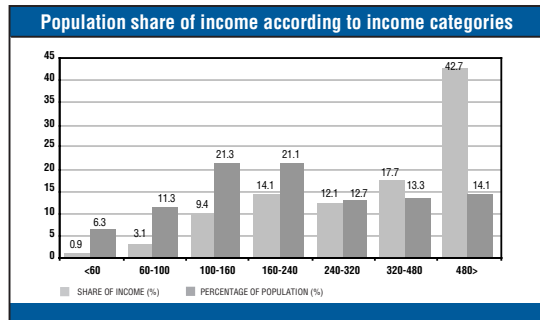
The Gini coefficient for income distribution in 1997 was 0.435. A study by the Central Administration of Statistics in the same year showed that 39% of the resident population received 13.4% of the national income, while 14% in the higher income category received 43%.

Centralisation of bank credits and deposits

The booming and powerful banking sector holds a large percentage of Lebanese national wealth. If suitable economic and social policies were adopted, these financial resources could be used for redistribution of wealth and reduction of sectoral, social, and regional disparities. Unfortunately, the current situation is exactly the opposite.

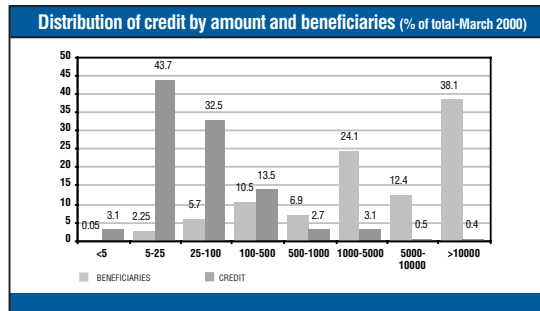
¹ The author is grateful for the assistance of Sawsan Masri.

CHART 1



The degree of concentration of deposits indicates the high concentration of wealth in the banking sector and also shows that disparities in wealth are greater than disparities in income. The degree of credit concentrations, by sector, region and size, reveals the types of policies adopted by the country and whether these policies deepen or reduce disparity. According to Central Bank statistics for the first quarter of 2000, Beirut and Mount Lebanon received 81.66% and 8.62% respectively of total credits, indicating the persistence and reproduction of regional disparity. Sectoral distribution of credits (March 2000) was as follows: trade and services received 44.5% of total credits compared with 21.5% for construction, 12.9% for industry and 1.47% for agriculture. This reinforces the sectoral distortion and marginalisation of agriculture and industry and hence the social and economic marginalisation of rural regions.

CHART 2



Central Bank figures for the first quarter of 2000 reveal that less than 1% of total credit beneficiaries (762 holders of bank accounts) received 50.5% of total credits (estimated at USD 16 billion - March 2000). Whereas, the credit share of 47% of borrowers does not exceed 2.3% of total credits.

Disparity in human development

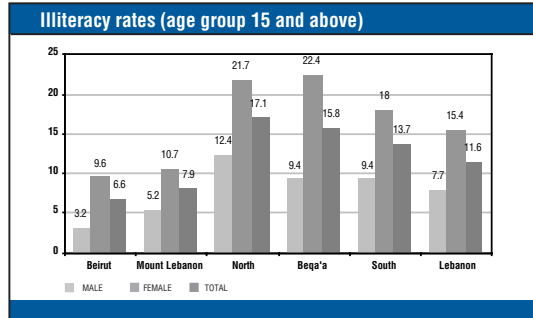
Economic and social disparities are accompanied by similar disparities in the human development indicators, specifically in health and education. Poverty and poor living conditions evolve simultaneously with negative human development indicators, which in turn contribute to re-generating poverty and further increasing disparities.

Illiteracy rates

Recent statistics (Central Administration Statistics, 2000) reveal that the national illiteracy rate for people age 15 and above is 11.6%. This represents minor progress compared with 1995, when the rate was 13.6%, which is attributed to high school

enrolment rates. The illiteracy rate for women is double (15.4%) the rate among men (7.7%). Regional disparities have not changed. The *Mohafaza* recording low living standards host the highest rates of illiteracy. This disparity ranges from 6.6% in Beirut to 17.1% in the North. Female illiteracy rates are highest in Beqa'a (22.4%).

CHART 3

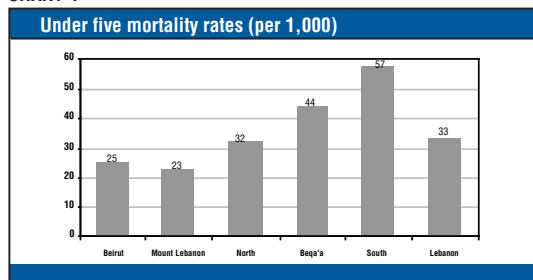


Infant mortality rates

Under-five infant mortality rates have not improved in the last five years. The present rate is 33 deaths for 1,000 births, the same as the rate in 1995 (32/1,000). This shows that social and health policies have not had any positive impact on this indicator.

Regional disparities coincide with poverty levels in the regions. The lowest infant mortality rates are recorded in Beirut (25/1,000) and the highest in the South (57/1,000). A significant change in comparison with 1995 figures was recorded in the North. The South, with the highest incidence, merged with the *Mohafaza* of Nabatieh. Nabatieh was under occupation until 25 May 2000 and figures related to Nabatieh were not completely accurate.

CHART 4



Conclusion

Poverty is integrally linked to social disparity in all its aspects. Lebanon does not lack financial resources as much as it lacks equitable distribution of wealth and capacity.

There exists an inherited geographic and social disparity. The policies adopted directly reproduce this disparity at economic and social levels. Economic and social disparities, together with the disparities in human development levels represented in the education indicators, make it difficult for people to escape poverty. Finally, political marginalisation, by excluding representatives of poor social groups and deprived regions from participating in decision-making processes, further narrows the population base that shares the benefits of growth in the country. ■