An Analysis of Ecuador's Economy: Crisis, Public Policy, and a Job Guarantee

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Senior Project Submitted to

The Division of Social Studies

of Bard College

by

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Annandale-on-Hudson, New York

May 2022

Dedication

Para mi familia, gracias por nunca permitir que me olvide de mis raíces, prometo continuar escuchando y aprendiendo. A mis padres, quienes me dieron vida, aquí hablo del país del cual ustedes emigraron. Espero que algún día ustedes puedan regresar a su país natal, y que ese día por fin sea un hogar en el cual los obstáculos para soñar ya no existan.

To my best friend in the whole wide world, Stephanie, I owe you the world. Without you I wouldn't still be here and I want you to know how honored I am to have you in my life. I could never regret ending up at Bard because, here, I met you. My bestie 4 life.

To Hunter, my bb, I know you can't read but just know this one's for you.

Acknowledgments

To my senior project advisor, Professor L. Randall Wray, thank you for giving me direction and encouragement throughout my entire senior year. Thank you for teaching economics in a hopeful way that challenges public policy, discusses Modern Monetary Theory, and supports a future in which employment policy is for all.

Professor Pavlina Tcherneva, thank you for everything I learned in your *Right to Employment* course during my junior year. You allowed me to research job guarantee programs in Latin America early on, and I thank you for the immense influence and guidance it had in bringing this project to life. Lastly, I thank you for forming part of my senior project board.

Professor Sanjay DeSilva, I would like to express endless gratitude for granting my acceptance into the economics program during my moderation. I also thank you for forming a part of my senior project board.

Thank you to my academic mentor, Wailly, for making time to check-in and fight that imposter syndrome. For helping me find a senior project advisor, fulfill graduation requirements, and print this project, I extend a thank you.

I could not have made it this far without you, Stephanie, my best friend. Thank you for continuously being by my side and keeping calm for the both of us. If you are reading this, we did it! Congratulations <3.

To Justin, Tirzah, Kevin, and Enlik, I cannot put into enough words the part you all played in the culmination of this senior project coming together. From being my mentees to evolving into my closest friends, I hope this project shows that you guys can do anything and everything you desire. To Stephanie, Jessenia, Tahj, Symonne, Heaven, Justyne, and Caleb, you have all individually shown me so much love, and your beautiful kind souls extended an endless amount of strength and resilience. The tears I shed were always temporary when I had you all around. Thank you.

Para mi papá, Manuel, muchas gracias por creer en mí y por siempre hablar de la política y la economía Ecuatoriana. Mami, espero que disfrute decir al mundo entero (o solo a facebook) que por fin tiene una economista en la familia. A mis hermanos; Carlos, Favian, y Andrea, gracias por las palabras y el apoyo incondicional. Gracias por ser mi salvavidas en mis momentos más dolorosos. Los amo a todos.

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Introduction

Ecuador has long felt like an enigma in terms of the conditions in which it operates, especially to myself. Much of the time, the economic and political state of the country is primarily brought to the attention of people when there is mass social unrest and protest. It is unsurprising when one realizes the long history of officials disregarding genuine concerns of the Ecuadorian people. Still, the discourse surrounding the impacts of the fundamental economic shifts and transitions experienced by the economy does not consider those who directly feel the impact. The focus of this paper is to observe Ecuador's economy in a different sense. The argument I propose is that despite indications of recovery and progressive policy reform culminating in the conversation of policymakers over the past decade, there has been a stagnation in the effort to correct and repair lesions left behind by the economic crisis that culminated in the late 1990s and the complete dollarization transition that followed. This paper seeks to answer the question: How can Ecuador's economy mend the rise in inequality resulting from years of crisis, a complete dollarization transition, and persistent policy issues?

This paper constructs an answer to this question in three steps. First, I invite the reader to understand the situation in Ecuador throughout the 20th century. I specifically focus on explaining the conditions and economic issues that eventually would lead to the substitution of Ecuador's currency. I discuss how the public took this as it is the root of debate and discourse for many economists. Second, I provide a timeline of the economic shifts occurring when entering the 21st century. Given former president Rafael Correa's decade in office, I closely analyze the impact of the progressive reform he introduced to Ecuador's administration in providing macroeconomic stability.Nonetheless, there is also a discussion regarding the persistent issues that arose during this time that had exacerbated inequality. Finally, after assessing the pitfalls of public policy in Ecuador's economy, I analyze the existing conditional cash transfer program and the neighboring implementation of the job guarantee program, *Plan Jefas y Jefes* in Argentina. I do this because it is clear that existing government social protection programs have the potential to expand but, for reasons of insecurity and resource constraints, have not yet implemented a JG program. The paper concludes with a brief preliminary proposal that insists Ecuador can foster a revolutionary JG.

Chapter 1: Historical Background- A Look into the Ecuadorian Great Depression, The 1999 Financial Banking Crisis, and Full Dollarization.

During the 20th century, the Latin American country of Ecuador could be described as a country that was faced with problems of regional divides, ethnic fragmentation, and structural economic instability. In the late 1980s, the country suffered constant ordeals due to financial instability and corruption: this allowed Ecuador's economy to fall victim to a severe financial banking crisis in 1999. The onset of hyperinflation following this crisis led Ecuador's leaders to dollarize, or in other words, engage in the extensive use of foreign currency like the USD. The USD would be used to assign value to liabilities and assets within the preexisting financial system in place of sucre, the Ecuadorian national currency. Though the transition from sucres to dollars brought benefits to Ecuador's economy, it also promoted constraints on fiscal policy reform in the long run. It is important to delve into the history of the economic conditions that allowed for the devaluation of the Ecuadorian sucre to adequately assess the dangers posed by a lack of regulation and administration. This chapter will analyze how the characteristics and vulnerabilities of Ecuador's economy affected the evolution of the financial banking crisis that nearly destroyed the economy in its entrance into the 21st century. It will conclude with an analysis of the differing views and outcomes of full dollarization.

The Roots of an Unstable Economy

Historically, Ecuador's economy is recognized as a country that relies heavily on producing nationally available commodities for the purpose of exportation. When export prices are high, "commodities such as bananas, cacao beans, shrimp, and oil can bring considerable wealth to a nation."[1] They can, however, "bring economic hardship as world market prices fall."[2] From 1972 to 1981, Ecuador was recognized as a major producer and exporter of oil after discovering reserves of oil in the Ecuador Amazon Region in 1967.[3] The oil boom that resulted from this discovery lifted Ecuador's economy by an average of 7 percent annually, with per capita income rising from 290 USD in 1972 to 1,200 USD in 2000.[4] Unfortunately, as we see in Figure 1, the rate of economic growth declined over this time period, with the economy expanding at only a 3.9 percent pace in 1981.

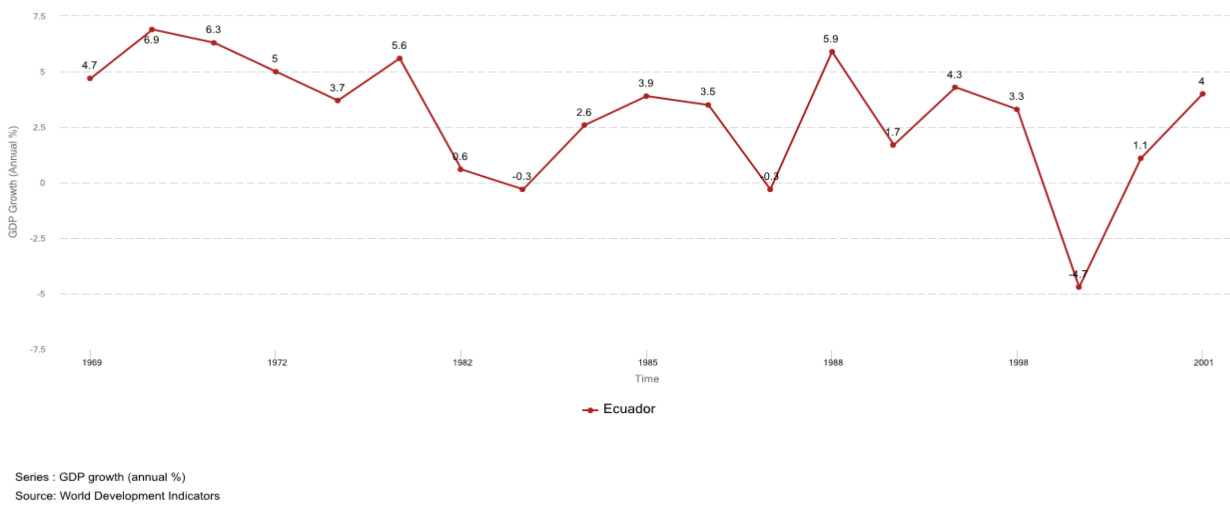

Figure 1: *GDP Growth 1969 to 2001.*

[1] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION?: Twenty-First-Century Economic Reform in Ecuador." *World Affairs* 180, no. 3 (2017): 36–52. https://www.jstor.org/stable/26386897.
[2] Beckerman, Paul, and Andres Solimano. "Crisis and dollarization in Ecuador: Stability, growth, and social equity." *Washington, DC: World Bank,* (2002): 5.
[3] "Yasuni Global - Let's Keep It Diverse and Cool." Oil in Ecuador : Yasuní ITT : Yasuni Global : University of Sussex, January 5, 2017.
[4] San Sebastián, Miguel, and Anna-Karin Hurtig. "Oil exploitation in the Amazon basin of Ecuador: a public health emergency." *Pan American journal of public health*. (2004): 1.

The boom in oil prices around this time also brought an onset of the emergence of inflation. Inflation began to average 13.2 percent per year between 1972 and 1981. In Figure 2, the contrast of low inflation rates in the United States compared to high spikes of inflation in Ecuador during 1984, 1989, and 2001 put into perspective how crucial a stabilization plan was to the struggling economy of Ecuador. Increases in inflation rates were attributed by some “to the sudden increase in the demand for goods and services caused by the new oil wealth”, a demand that a commensurate increase could not match in aggregate output.[5] The over-reliance on oil reserves, along with the lack of legislation or oversight taken by the central bank during this decade, posed many vulnerabilities for Ecuador's economy

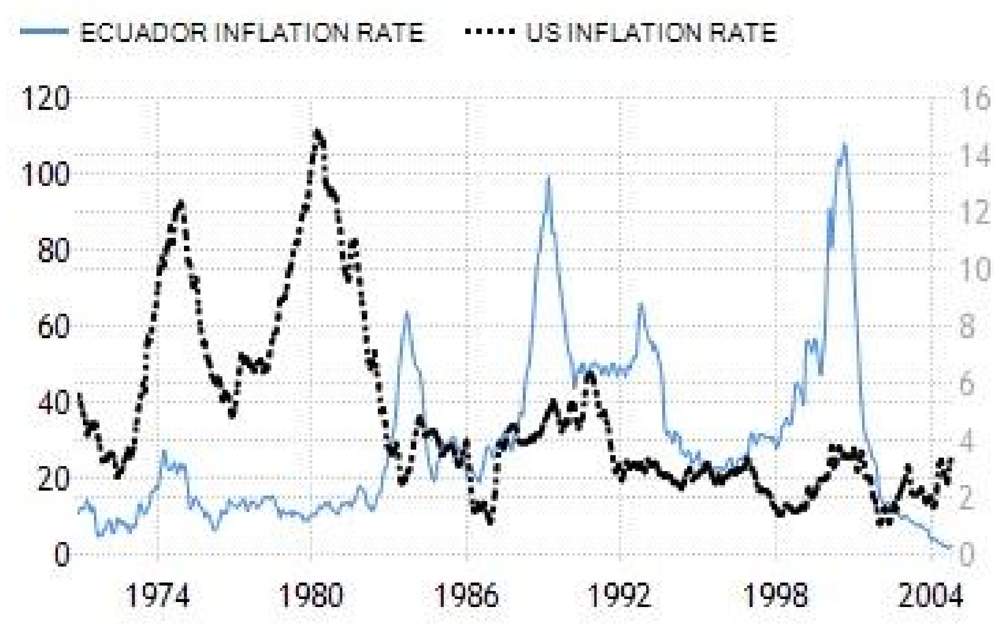

Figure 2: *Ecuador's Inflation Rate vs U.S Inflation Rate 1970-2004.* Source: Trading Economics

[5] Cueva, Simon & Diaz Julian P.. "The Case of Ecuador." *Macro Finance Research Program, Working Paper, Becker Friedman Institute* (2019.)

The economic bust experienced in Ecuador following the sharp drop in oil prices would become known as "The Ecuadorian Great Depression," lasting from 1982 to 1999. Scholars Simón Cueva and Julián P. Díaz offer an analysis of the period after the oil price boom in their working paper, "The Case of Ecuador." The authors investigate the stagnation of oil prices in 1981, aforementioned, and the effects of its continuous decline throughout the remaining decade. Figure 3, depicts the revenues and expenditures made by the central government. Accordingly, it seems as if the "total revenues and expenditures had averaged 10.1 percent and 11.5 percent of GDP, respectively", prior to the boom of oil.[6] It can be seen that with the recent rise in oil wealth, the Ecuadorian government did too and "remained [that way] ever since, representing 19.5 percent and 21.1 percent of GDP during the 1972–2015 period."[7] Cueva and Diaz stress that changes within Ecuador's economy could best be seen through the rise of interest rates in correlation to the policies implemented by the Federal Reserve. They also emphasize that the levels of price and production of resources like oil and the other commodities were "vulnerable to fluctuating world market prices and exogenous factors such as external debt, social and political unrest, and weather patterns that can be volatile in the region."[8] The toll of this depression would be harmful to Ecuador's status as a monetarily sovereign country; moreover, hope for upward economic mobility would be stunted by the end of this era.

[6] Ibid.
[7] Ibid, 19.
[8] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION? Twenty-First-Century Economic Reform in Ecuador." World Affairs 180, no. 3 (September 2017): 36–52. https://doi.org/10.1177/0043820017748102.

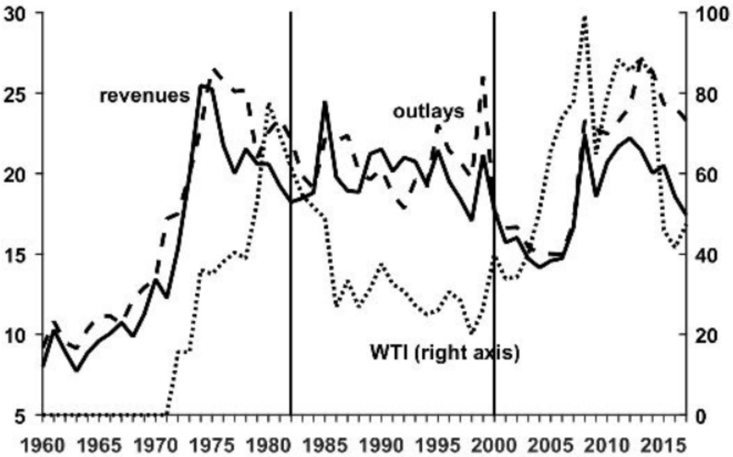

Figure 3: *Revenue and Outlays, Percentage of GDP, and WTI Oil Price.* [9]

In early 1995, Ecuador experienced changes to capital inflows prompting a divide in the country resulting in a period of economic stagnation; according to scholar Luis Jácome, "increasing macroeconomic imbalances, correlated to a great extent with the evolution of the external oil price."[10] Figure 4 shows us the range of foreign direct investment net inflows in the percentage of Ecuador's GDP from 1990 up to 2000. Although FDI data does not give a complete picture of international investment in an economy, it can illustrate the condition present in the latter half of the 1990s when we see a cumulative increase followed by a sharp drop nearing the year 2000.

Prominently, El Niño— "a weather phenomenon" in which weather instability was caused by the warming of the Pacific Ocean—is caused by copious rainfall that can damage crops and slow the production of domestic commodities.[11] Furthermore there was irreparable

[9] Ibid. 19.
[10] Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador." *IMF Working Papers*, (2004): 7.
[11] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION? Twenty-First-Century Economic Reform in Ecuador." *World Affairs* 180, no. 3 (September 2017): 36–52. https://doi.org/10.1177/0043820017748102.

damage done to the nation's infrastructure throughout 1997.[12] This same year, the Ecuadorian government also suffered when Mexico decided to "default on its external debt."[13] This decision, in turn, caused all new loans to be frozen for all nearby countries and was particularly detrimental for Ecuador because it borrowed heavily from abroad to finance its expenditures. In 1998, hostilities with neighboring Latin American Countries began.

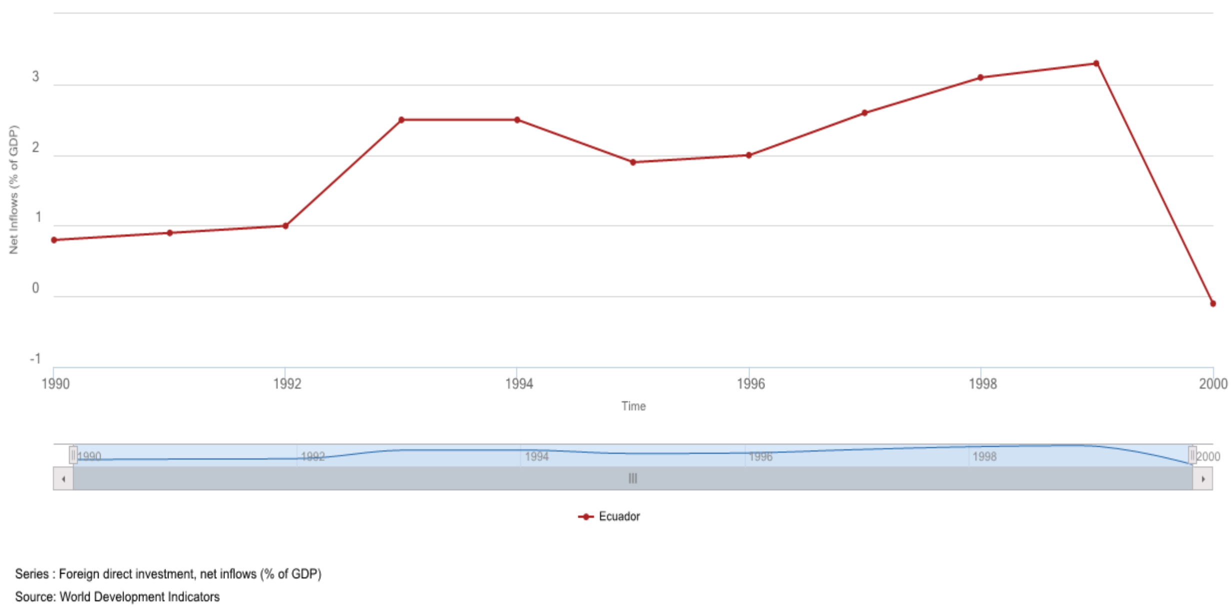

Figure 4: *Foreign Direct Investment, Net Inflows.*

At this time, Ecuador and Peru had been attempting to consolidate a peace agreement. Ecuador was also left vulnerable to potentially "destabilizing effects of acute intensification of the armed conflict in Colombia, a country that shares a long border with Ecuador."[14] This divide

[12] Ibid. 16-17.; Cueva, Simon & Diaz Julian P.. "The Case of Ecuador." *Macro Finance Research Program, Working Paper, Becker Friedman Institute* (2019); 8.
[13] Ibid.
[14] Beckerman, Paul, and Andres Solimano. "Crisis and dollarization in Ecuador: Stability, growth, and social equity." Washington, DC: *World Bank*, (2002): 2.

created a difficult situation in terms of security within the Andean region.[15] Additionally, "in August of 1998, a new constitution was enacted"; it brought "institutional changes" as it granted the "central bank of Ecuador both technical and administrative autonomy from the government at a constitutional level."[16] The constitution was historically setting a standard that price stability be set as the only goal of monetary authority and therefore could no longer allow this authority to lend to the government and financial institutions. Deteriorating macroeconomic performance throughout the late 1990's eventually brought about one of the most catastrophic financial crises. This occurs following indications of distress and fragility from Ecuador's banks.

The Financial Banking Crisis of 1999

Banks in Latin America are recognized as some of 'the most important institutions in the financial system, representing about 70 percent of total financial assets."[17] Unfortunately, on March 8, 1999, Ecuador's banking system experienced a collapse "accompanied by a simultaneous currency and public finance crisis."[18] This was due to President Jamil Mahuads declaration of a "banking holiday."[19] This holiday, intended to last only a day, stretched into a long five days, this resulted in an outrage from citizens. At the end of the holiday, Ecuadorian

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[15] Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador." *IMF Working Papers*, (2004). 38.
[16] Center for Latin American Studies. "CONSTITUTION OF THE REPUBLIC OF ECUADOR." *Political Database of the Americas,* (October 20, 2008), https://clas.georgetown.edu/.
[17] "International Economics, Globalization, and Policy [5 Ed.] 9780073375816, 0073375810, 2008020241." *dokumen.pub.* Accessed March 3, 2022. https://dokumen.pub/international-economics-globalization-and-policy-5nbsped-9780073375816-0073375810-2008020241.html.
[18] Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador." *IMF Working Papers*, (2004). 5.
[19] Ceja, Lucho Granados. "The Banking Crisis That Nearly Destroyed Ecuador's Economy." *teleSUR*, (March 8, 2016),https://www.telesurenglish.net/analysis/The-Banking-Crisis-That-Nearly-Destroyed-Ecuadors-Economy-20160308-0047.html.

citizens would be met with the closure of 16 banks due to the crisis, including the two largest banks of Ecuador, as output contracted by 7 percent.[20]

The crisis was, according to Jácome, "triggered by a combination of exogenous and policy-induced shocks which led the market to lose confidence in both the banking system and the domestic currency, while government liabilities increased dramatically until the country defaulted on its recently restructured Brady debt."[21] Furthermore, the exchange rate was continually being reset in an attempt to stimulate foreign exports. Due to this, the Ecuadorian *sucre* faced a large fall and brought with it "an increase in the purchase of American dollars" through financial institutions throughout Ecuador.[22] Consequently, when inevitable inflation reached high levels of 67 percent by the end of 1999, the state was forced to transfer millions of dollars to financial institutions and banks to help keep them solvent. The president's administrative plan of action motivated "in an effort to rescue the private banking industry from a crisis generated as a result of their own failure to maintain liquidity led to the executive decision to freeze bank accounts with more than US$500 for a year."[23] Ecuadorians had understood that at this point the government was solely interested in saving banks, not the hard earned money many Ecuadorians' livelihood depended on.

In Luis Jácome's working paper for the International Monetary Fund, "The Late 1990's Financial Crisis in Ecuador,"; Jácome views how the eradication of people's wealth during the onset of the crisis in culmination with a deterioration of labor opportunities encouraged the

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[20] Ibid.
[21] Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador." *IMF Working Papers*, (2004): 5
[22] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION? Twenty-First-Century Economic Reform in Ecuador." *World Affairs* 180, no. 3 (September 2017): 36–52. https://doi.org/10.1177/0043820017748102.
[23] Ceja, Lucho Granados. "The Banking Crisis That Nearly Destroyed Ecuador's Economy." *teleSUR*, (March 8, 2016),https://www.telesurenglish.net/analysis/The-Banking-Crisis-That-Nearly-Destroyed-Ecuadors-Economy-20160308-0047.html..

largest emigration wave in Ecuador's history. He details that, to Ecuadorians, the government's attempts to stabilize the economy only forced them to live "painful episodes associated with the rapid depreciation of the sucre; the acceleration of inflation, and, in particular, the widespread freeze of bank deposits and the traumatic closure of financial institutions."[24] The author also discusses the social financial debacle, social unrest, and undermined government credibility that would result from accusations of administrative corruption.

The ire of Ecuadorians at the hands of government policies had reached an unprecedented level of unrest that would eventually lead to the forceful removal of president Jamil Mahuad from office in the year 2000. This took the form of a coup led by the country's widely recognized, and the most notable Indigenous group, the *Confederation of Indigenous Nationalities of Ecuador* (CONAIE). Large numbers of Indigenous Ecuadorians were protesting the government's support of neoliberal economic policies, and the Mahuad administration's proposed dollarization plans. The demonstrations took place in the country's capital, Quito, with then Col. Lucio Gutiérrez and his army standing aside and with activists.[25] These protests displayed the severe grievances of all Ecuadorian people as the economy neared collapse.

Although the Ecuadorian people would finally see President Jamil Mahuad replaced in January of 2000 following mass social unrest, Mahuad took perhaps the most drastic decision a country could take during a crisis. With complete disregard of the policy preferences of both Ecuadorians and Ecuador's central bank leaders, Mahuad approved Ecuador's economy to undergo full dollarization. Although the revised constitution of August 1998 had granted the

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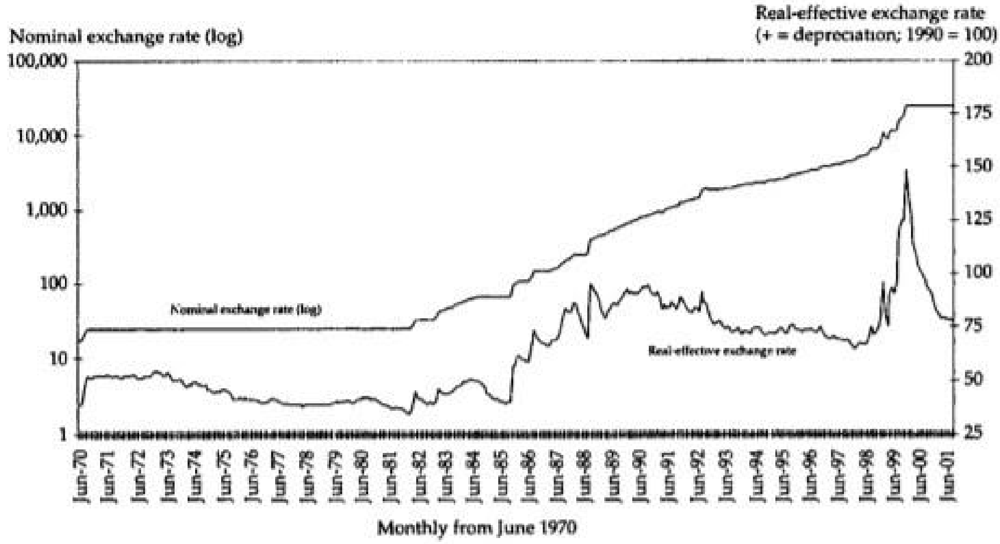
[24] Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador", *IMF Working Papers*, (2004): 5.
[25] "Ecuador from the Late 20th Century." Encyclopædia Britannica. *Encyclopædia Britannica, inc*. Accessed (September 18, 2021), https://www.britannica.com/place/Ecuador/Ecuador-from-the-late-20th-century.

central bank independence, the government's decision to override the Central Bank’s views was to be expected. Mahuad's government had already allowed for the tragic banking holiday and deposit freeze to occur in March 1999. A frustrated unstable Central Bank forced to operate without a president or its most respected directors during a large portion of 1999 rendered it powerless in the face of the decision to dollarize.

The Ecuadorian government began the process of dollarization in the spring of 2000, the process entailed the exchanging of *sucres* for American dollars at a rate 25,000 *sucres* in exchange for 1 USD. Paul Beckerman’s article, “Dollarization And Semi-Dollarization In Ecuador,” provides a visual that truly demonstrates the impact of such a transition; it has been reformatted below as Figure 5. This graph allows us to see the immense difference between the nominal exchange rate (log) and the effective exchange rate of a sucre annually from June 1970 to June 2001. By the end of 2000, one can observe how the process had been completed. During this time the *sucre* was no longer a vital medium of exchange in the Ecuadorian economy and replaced with the U.S. dollar. [26]

[26] Beckerman, Paul. “Dollarization And Semi-Dollarization In Ecuador.” (2001): 5-6.



Source: International Monetary Fund.

Figure 5: *Ecuador: Exchange Rate (Sucres per U.S. Dollar) June 1970-May 2001*[27]

It is essential to provide an overview of the conditions that allowed the financial banking crisis to reach the point of no return dollarization. Unfortunately, there is a limited amount of analysis in terms of the Ecuadorian financial crisis, nonetheless the research that does exist views the problems within Ecuador's financial system to have been initially attributed to borrow inability banks the money owed, this was the consequences of exogenous factors discussed in the previous section. Scholars also recognize that "the liberalization of banking regulations in the early 1990s was an inherent cause for the subsequent economic hardship in the late 1990s."[28] Furthermore, the idea that deregulation allowed Ecuador's banks to undertake risky financial practices leaving banks susceptible when the economy began to falter and inflation rose at this same time, is held by many.

[27] Beckerman, Paul. "Dollarization And Semi-Dollarization In Ecuador." (2001): 6.
[28] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION?: Twenty-First-Century Economic Reform in Ecuador." *World Affairs* 180, no. 3 (2017): 40.

Many scholars in addition to Jácome even identified serious flaws rooted in Ecuador's 1994 General Law of Financial Institutions. "This law," set a standard, and "the general rules for financial institutions including banks, homeowner societies, savings, and credit cooperatives" had to abide by.[29] Banks were made to "correctly disclose both interest rates and conditions of their loans, and they were made to include such information in any materials used for marketing."[30] It only allowed "authorized persons, including credit bureau representatives, to view client data."[31] Authors like Jácome pointed out flaws such as "deficient banking supervision (in particular of offshore activities), the lack of adequate instruments to deal with bank failure resolution combined with currency mismatch in the bank balances, and fraudulent practices by bank owners" as reasons that allowed the banking crisis to unfold in the late 1990s.[32]

Author Maria Laura Patino's text, "Lessons of the Financial Crisis in Ecuador 1999," discusses many explanations and takeaways from such a crisis. In her words, a simple and superficial cause for the crisis can be summarized as "a decade of macroeconomic instability and the lack of economic reform." [33] An alternative explanation is that the origin of the crisis stems from covert structural weakness, "not only in the financial system but also in the interactions between the political and economic forces that have prevented public confidence from building." [34] Patino's findings suggest that the reliance on volatile oil earnings in terms of generating public revenue, banking systems "exposure to exchange rate depreciation, insufficient banking

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[29] Accion. "Client Protection in Ecuador." Center for Financial Inclusion (2011.); Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador", *IMF Working Papers*, (2004).
[30] Ibid.
[31] Ibid.
[32] Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador", *IMF Working Papers*, (2004): 12.
[33] Patino, Maria Laura . "Lessons of the Financial Crisis in Ecuador 1999", *7 LAW & BUS. REV. AM. 589* (2001): 623, https://scholar.smu.edu/lbra/vol7/iss4/5.
[34] Ibid.

supervision, massive public debt, and weak public and political administration" are all interrelated reasons that can be used to explain the heavy damage that occurred to the banking system and the economy during this era.[35] Ecuador's once prospering economy was dangerously dependent on oil reserves and uncharted spending; it relied on its extremely vulnerable external accounts, public sector, and banking system.

This was evident in the 1980s and 1990s during three instances; first, when policymakers' efforts to cope with the high external debt shock of the public sector sent the economy into lower growth. The second was the transition to partial dollarization following the currency exchange rate depreciation of the *sucre*. Lastly was Ecuador's fragile and frantic systems of governance.[36] The administration didn't adequately possess the means to combat crises.[37] In an excerpt from Paul Beckerman and Andres Solimano's book, "Crisis and Dollarization in Ecuador," they say, "The political system is set up more to reconcile interests—in particular, regional interests—than to act decisively in the broad national interest. The main institutions of administrative public institutions were too weak, both legally and technically, to deal forcefully with the crisis as it unfolded."[38] The shocks that took place in Ecuador in the late 1990s set off a vital process that could have continued and evolved into hyperinflation. Recognizing the structural weaknesses that permeated Ecuador allows one to understand the nature of such a deep economic crisis and social disarray.

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[35] Beckerman, Paul; Solimano, Andres. "Crisis and Dollarization in Ecuador : Stability, Growth, and Social Equity." *Directions in development*; Washington, DC: *World Bank*. (2002): 60, https://openknowledge.worldbank.org/handle/10986/14256.
[36] Ibid.
[37] Ibid.
[38] Ibid.

Dollarization and its Implications

On January 9, 2000, Ecuador shocked the world as President Jamil Mahuad declared full dollarization. Full dollarization meant that Ecuador would adopt the USD as its official currency, renouncing its national currency—the *sucre*—completely. Up to this point in history, Panama had been the only Latin American country to assume the Northamerican dollar after gaining its independence from Colombia in 1903.[39] Only one year after Ecuador's radical decision to dollarize, the Central American countries of Guatemala and El Salvador in a similar situation of economic crisis would also turn to full dollarization for stability. This series of events has sparked many debates among scholars on the procedure and benefits of dollarizing a struggling economy. The circumstances and conditions that existed when the decision to dollarize was made in Ecuador have already been discussed in the preceding section of this chapter, however, an in-depth analysis of why the Mahuad administration took such a drastic decision as opposed to a currency board similar to Argentina's 1991 Convertibility Plan, has not. Therefore, in this section, I will be discussing both the logic behind dollarization and the critiques that come along with the decision to do so.

The existing literature surrounding "dollarization, fixed exchange rate regimes, and regional monetary integration, along with its primary positive effects", "analyzes and defines dollarization as a stable and sustainable fiat currency: however, there is dollarization to colonialism."[40] The first assumption operates under the belief that adaptation of the U.S. dollar brings benefits, including "the mitigation and minimization of inflationary risk in the long and short-term, an increase in foreign direct investment, capital flow inward, a sustainable store of

[39] Acosta, Alberto. "Dolarización : informe urgente." (2000): 1.
[40] UKEssays. "The Effects Of Inflation." *UKEssays* (2000.)Retrieved from (November 2018), https://www.ukessays.com/essays/economics/the-effects-of-inflation-economics-essay.php?vref=1 .

value, and helps to stabilize the exchange rate and increases confidence among consumers and easier financial integration into the global economy."[41] Meanwhile, the second assumption is rooted in the prevalent macroeconomic ideologies, domestic economic interests, and geopolitical concerns of the long history of U.S. policy. [42]In observing the specific case of Ecuador, it is important to note both varying perspectives.

In the late 1990s Ecuador had already introduced partial dollarization into its policy decisions following early sign of the "plummeting value of Ecuador's national currency," "under partial (de facto) dollarization, a country's domestic currency remains the official legal tender, but transactions can also be carried out in foreign currency, effectively giving the country a bi-currency system."[43] At this time, Ecuador still retained monetary sovereignty and the ability to enact fiscal and monetary policy. However full dollarization, "considered a radical economic policy, one taken only in extreme economic circumstances when all other efforts have failed to stem the rapid devaluation of a nation's currency," stripped the country of much of its fiscal liberties.[44][45] "After repeated cycles of failed stabilization and crisis," president Mahuad posed his decision to fully dollarize Ecuador in a dire attempt to reinstall trust in the *sucre* and domestic institutions: however, this may not be the sole motivator for the transition that occurred post the 1999 financial banking crisis. Inflation, one of the main economic motivators for dollarization,

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[41]Ibid.

[42] Helleiner, Eric. "Dollarization Diplomacy: US Policy towards Latin America Coming Full Circle?" *Review of International Political Economy* 10, no. 3 (January 1, 2003): 406–29. doi:10.1080/09692290308424.

[43] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION? Twenty-First-Century Economic Reform in Ecuador." *World Affairs* 180, no. 3 (September 2017): 36–52. https://doi.org/10.1177/0043820017748102.;Quispe‑Agnoli, Myriam and Elena Whisler. "Official Dollarization and the Banking System in Ecuador and El Salvador." Econometric Reviews (2006): 57.

[44] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION?: Twenty-First-Century Economic Reform in Ecuador." *World Affairs* 180, no. 3 (2017): 39

[45]Jameson, Kenneth. "Is It Possible to De-Dollarize? : The Case of Ecuador." *International Journal of Political Economy.* (2003).

was fairly high, standing at 52.2 percent in 1999. This number would only continue to accelerate, eventually reaching 96.1 percent in 2000. [46]

In their journal, "The Limits to Dollarization in Ecuador: Lessons from Argentina," scholars Mathew Bradbury and Matias Vernengo analyze the way dollarization was "adopted as being an extension of the policies of the liberalization period that began in 1992 and as a result of the entrenching economic and baking crisis of 1999, the economy contracted."[47] The authors discuss that it is hard to believe that dollarization was in any "technical sense necessary for stabilization since stable prices had been reached in several Latin American countries without having to resort to such drastic measures."[48] They viewed the decision to dollarize, as closely as they viewed the "Convertibility Plan in Argentina…as the culmination of a long process of restructuring the economy that originated with the Latin American debt crisis of 1982."[49] We see here that the decision to dollarize was only taken once "the swearing-in of vice-president Gustavo Noboa took place," after the forceful removal of Jamil Mahuad, further signaling that the decision to dollarize was taken amid a severely unstable political situation, following the liberalization period.[50] The real motivations behind such an irreversible measure can further be analyzed when examining the effects following its implementation.

In the journal, "Official Dollarization and the Banking System in Ecuador and El Salvador," written by Myriam Quispe-Agnoli and Elena Whisler, it is argued that Ecuador's improved experiences in regard to banking regulations occurred along with the overall stability

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[46] Jácome H., Luis I. " The Late 1990's Financial Crisis in Ecuador", *IMF Working Papers*. (2004): 9.
[47] Bradbury, Mathew & Vernengo, Matías. "The Limits to Dollarization in Ecuador: Lessons from Argentina." University of Utah, Department of Economics, *Working Paper Series,* Department of Economics, University of Utah. (2008).
[48] Ibid.
[49] Ibid.
[50] Ibid.

of its banking systems, post-dollarization. Agnoli and Whisler's article considered: "restrictions on the central bank as a lender of last resort, the effect of economic stability on the performance of banks, and the promotion of financial integration with the world economy." [51] Ultimately, under their analyses, full dollarization was the key to stabilizing the banking system in Ecuador. In their perspective, full dollarization helped to mitigate the sharp reversal and collapse of the economy by stopping the collapse of the economy. Still, the authors accept the possibility that the immediate effects post-dollarization were not certain to be sustainable in the long term.

A different study conducted by Selin Ozyurt and Simon Cueva recognizes dollarization in Ecuador as a fascinating research case for two aspects. First is the magnitude of Ecuador; as a country having a grand population of about 17 million, it was by far the largest country to have given up its currency and adopted official dollarization. Second, unlike most countries that unilaterally adopted full dollarization, Ecuador's historical or political proximity with the United States was only partial before 2000. In other words, the economic and financial integration of the two countries in the 20th century did exist, but it was limited. Similar to other researchers, Ozyurt and Cueva view the process of dollarization in Ecuador as a sudden political decision in the context of unprecedented financial and macroeconomic turmoil. Still, they acknowledged that there were solutions provided for Ecuador throughout the process of dollarization. Dollarization in their research proved to help quickly stabilize the monetary and financial conditions by bringing an end to the dual currency system, putting a floor on depreciation of the real exchange rate, and consequently easing liquidity pressures.[52] It also restored confidence in

[51] Quispe-Agnoli, Myriam & Whisler, Elena. "Official dollarization and the banking system in Ecuador and El Salvador," *Economic Review, Federal Reserve Bank of Atlanta.* (2006): 56.
[52] Ozyurt, Selin & Cueva, Simon. (TNK Economics) "Twenty years of official dollarization in Ecuador: a blessing or a curse?" *Working Paper.* (2020): 15.

the banking sector more strongly than expected. Additionally, the full unfreezing of deposits in March 2000 did not trigger massive withdrawals, and bank deposits even increased slightly in 2000 and 2001 following full dollarization.

Ozyurt and Cueva discuss the innate restrictions following the renunciation of Ecuador's currency. The author's work discusses the following limitations, “Twenty years of official dollarization in Ecuador: a blessing or a curse?”: a loss of the lender of last resort function, greater vulnerability to asymmetric shocks, and a loss of seigniorage. A fully dollarized economy naturally loses its ability to issue its currency and gives up control of monetary and exchange rate policy. In the traditional sense, this revokes the central banks' ability to act as a last-resort lender. Instead, a country’s foreign exchange reserves determine the maximum amount of liquidity that can be injected into the financial system to prevent a solvency or liquidity crisis. Secondly, by adopting full dollarization, the central bank almost loses some ability to use monetary policy as an instrument to counter business cycle fluctuations or asymmetric shocks. This means that to avoid large output fluctuations, the dollarized economy would need to rely on alternative adjustment mechanisms, such as fiscal buffers or continue to act as a lender of last resort with “fake dollars.” The cost of losing the monetary policy instrument may be negligible in cases where monetary policy is already ineffective and has no credibility. Lastly, the loss of seigniorage revenues for the central bank from the issuing of a domestic currency is the result of a full dollarization transition.[53] This cost includes not only one-off “stock” costs incurred by replacing the national currency in circulation with foreign banknotes and coins, but it also poses “flow” costs linked to the loss of the future earnings generated by the flow of new currency

[53] Seigniorage is defined by *Oxford Languages* as the profit made by a government by issuing currency, especially the difference between the face value of coins and their production costs.

printed every year. Many perceived dollarization as an undisputable success. However, the immediate benefits that came from the transition would begin to fade progressively when international conditions became less favorable and these limitations would permeate the recovering economy. Full dollarization did not appear to boost Ecuador's economic growth automatically. The sustained economic activity of the 2000s was closely tied to oil prices and oil exports, similar to its golden years' pre-banking crisis. Additionally, Ecuador's prospective real GDP growth averaged 3.9 percent a year between 2000 and 2010, and then slowed down to an average of 2.8 percent between 2011 and 2019.[54] Increasingly, while it seemed that the liberalization of economic policy and full dollarization transition had an almost instant positive impact on stabilizing Ecuador's economy, these policies have been subjected to criticism from Ecuadorians that believed this was unsustainable in the long term.

This chapter sought to observe Ecuadors' economy before and after the onset of the Great Ecuadorian depression in the 20th century. Ecuador's structural weaknesses and a combined series of exogenous shocks, inflationary currency, financial, fiscal, and sovereign debt crises allowed for the onset of the economic crises that emerged in the late 1990s. Dollarization seemed an appropriate policy given that existing economic theory suggested significant benefits from this strategy. The question of if dollarization was delivered for Ecuador has been contested by several scholars. Some have highlighted the benefits of dollarization such as identifying lower nominal interest rates, economic and currency stability, and low inflation after 2000. However, other scholars argue that economic challenges of increased poverty, chronic unemployment, and scarce public works persist today due to the transition. In particular, the actual effects of

[54] Ozyurt, Selin & Cueva, Simon. (TNK Economics) "Twenty years of official dollarization in Ecuador: a blessing or a curse?" *Working Paper.* (2020): 15.

dollarization become convoluted when closely following the long-term effects of the transition of the loss of monetary sovereignty. The issue is undoubtedly a result of economic liberalism and dollarization failing to "adopt more incrementalist approaches toward policy reform"; this is why one can observe such persistent inequality permeate throughout the 21st century in Ecuador.[55] The focus of *Chapter 2* intends to observe Ecuador's macroeconomic aspirations and outcomes following economic crises and full dollarization in an attempt to "recognize the reality of policy diffusion processes."[56]

[55] Castillo, Marco. "LIBERALIZATION OR JUST DOLLARIZATION?: Twenty-First-Century Economic Reform in Ecuador." *World Affairs* 180, no. 3 (2017): 36.
[56] Ibid.

Chapter 2: Ecuador in the 21st Century. An Examination of Economic Conditions and Persistent Inequality.

The previous chapter discussed the financial and macroeconomic implications for Ecuador's economy undergoing full dollarization in the 2000s. It also analyzed the catalytic events perpetuating such a drastic change for one's nation. This chapter aims to delve deeper into the premises and standards that followed once Ecuador underwent currency substitution, in terms of social well-being, public policy, and human development. The goal is to set a basic understanding of the conditions and experiences of Ecuadorians following their country's loss of monetary sovereignty. This chapter includes observations of economic characteristics reported throughout the 21st century, in particular, paying special attention to GDP, poverty, and inequality statistics as indicators of persistent economic challenges.

This chapter is partitioned into three sections. The first section discusses and focuses on the aspects of political and economic reform that took place as Rafael Correa entered the presidency, with a particular overview of Ecuador's 2008 Constitution. The second section identifies and examines the state of macroeconomic conditions before and during Correa's presidency in an effort to observe the claim of Ecuador's "decade of stability." The third and final section outlines and dissects policy issues that have been persistent in Ecuador following an era of neoliberalism, the establishment of the 2008 Constitution, and in light of macroeconomic stability. Furthermore, the culmination of this chapter will transition into the third and final chapter of this paper that details a policy proposal constructed from existing and theoretical economic policy solutions in an attempt to combat the inequality and the stagnance of socio-economic upward mobility and opportunity for Ecuador's most vulnerable and marginalized populations.

The 2008 Constitution

It is said that from 2007 to 2017 leftist President Rafael Correa sustained a decade in power that inadvertently brought economic stability to Ecuador's struggling political and economic scene. Notably, during Correa's presidential campaign, he proposed to instill social programs that tackled five particular resolutions—three of which were centered around social, political, and economic reform, while the others were intended to combat political corruption and were aimed toward replacing structures upheld by mercantilist Latin American integration by method of building new systems.[57] Nonetheless, perhaps the most outstanding component proposed during Correa's campaign was his promise that his administration would organize a constitutional assembly to begin the process of revising Ecuador's Constitution.[58]

The country of Ecuador has long been recognized to be a highly biodiverse place, with some of the highest levels of biodiversity in the world. The protected areas in Ecuador encompass approximately 25% of the country, including marine and Amazonian ecosystems. It is estimated that at least 40% of Ecuadorian territory (approximately 104,059.1 km) are territories of Indigenous, Afro-Ecuadorian, and Montubio peoples and nations.[59] A revised Constitution

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[57] Becker, Marc. "Building a Plurinational Ecuador: Complications and Contradictions," *Socialism and Democracy* 26, no. 3 (November 1, 2012): 72–92, https://doi.org/10.1080/08854300.2012.710000.
[58] The Constitution of Ecuador is the supreme law of Ecuador. The current Constitution has been in place since 2008. It is the country's 20th Constitution.
[59] Maldonado, Paola, Jaime Robles, and Verónica Potes. "Ecuador, A National Analysis on the Status of Territories of Life." Territories of Life: 2021 Report. ICCA Consortium, (2021), https://report.territoriesoflife.org/wp-content/uploads/2021/05/ICCA-Territories-of-Life-2021-Report-EXECUTIVE-Summary-ENG.pdf.

would bring about a newly declared plurinational and intercultural state, with deserved recognition and guarantees of territorial and collective rights as well as securing rights of nature for *all,* and especially for marginalized populations. Following Correa's election in 2007, the process of constitutional revision would begin with Ecuador's largest Indigenous organization, CONAIE, spearheading its entailments.

CONAIE'S book "CONAIE's Proposal Before The Constituent Assembly" is concerned with the development of the new Ecuadorian Constitution, and details five principle demands that they wanted it to address. There were five principal demands that culminated in the following ideas; first, was the importance of recognizing Ecuador as being a Plurinational state. Plurinational would grant Indigenous peoples autonomy over themselves as well as their communities. Second, was the urge to nationalize and non-privatize biodiversity. Third, is the acknowledgment of distinct forms of democracy that exist within distinct and previously ostracized populations as well as the enforcement of their participation in political matters. Aside from autonomy, they demanded full power, or sovereignty, over their land—a right that would allow them to control the local governments within the bounds of their Indigenous territories. Their fourth demand requests that Indigenous communities be granted the basic, unalienable right to utilize social services, free of any discrimination. In other words, they insisted that major public programs and services could not be treated as commodities. Lastly, they demanded that an inclusive sovereign economic model be built in solidarity with Indigenous and Afro-Ecuadorian populations and that it be thoroughly planned, and socially and ecologically equitable. Through this demand, CONAIE members made their intention to represent and include Indigenous and

Afro-Ecuadorian populations in the new constitution given that they have long been marginalized and overlooked in previous Constitution revisions.[60]

Once Correa was officially sworn into the presidency voters approved a referendum on the Constitution, that consisted of CONAIE's demands, in September of 2008.[61] To reiterate, the 2008 Constitution instilled two very important things: first was a guiding principle of a firmly established concept in Indigenous culture, *Sumak Kawsay* [Buen Vivir], and second was the defining of Ecuador as a social, democratic, intercultural, multinational and secular state.[62] It cemented basic social rights and declared national sovereignty over strategic resources pioneering an essential step toward ensuring biodiversity conservation and bringing greater stability to Ecuador's economy and society as a whole. Following its implementation, President Correa declared his policy decisions moving forward as an embodiment of the *La Revolucion Ciudadana* [Citizen's Revolution], "a political and socioeconomic project originated from a coalition of left-wing politicians and a variety of social organizations that sought to gradually achieve the socialist reconstruction of Ecuadorian society".[63]

A Decade of "Stability": Macroeconomic Evidence

In order to observe this claim, using data reported from the International Monetary Fund (IMF) as well as detailed reports from the Center for Economic and Policy Research (CEPR), this section carries out a brief observation of the shifts in real GDP and growth rates as well as an

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[60] Becker, Marc. "Building a Plurinational Ecuador: Complications and Contradictions," *Socialism and Democracy* 26, no. 3 (November 1, 2012): 72–92, https://doi.org/10.1080/08854300.2012.710000.
[61] Ibid.
[62] A Kichwa expression that translates to "Good Living" in English.
[63] "La Revolución Ciudadana Se Basa En El Cambio De Las Relaciones De Poder." Gobierno de la República del Ecuador. Accessed (February 24, 2022), https://www.presidencia.gob.ec/la-revolucion-ciudadana-se-basa-en-el-cambio-de-las-relaciones-de-poder/.

examination of poverty and inequality statistics. The objective of this section is to briefly outline economic and social indicators from 2007 to 2017 to observe the genuine impact a decade of progressive reform had in terms of macroeconomic and human development.

Perhaps one of the most remarkable accomplishments awarded to Correa's administration was the shift to a higher annual per capita GDP growth. Comparing the rate in which GDP grows throughout previous periods one can analyze whether the economy is expanding in terms of increased production of goods and services, or if there is a contraction due to less output. The growth rate of real GDP is typically an indicator of the general standing of the economy. In other words, an increase in real GDP is thought to be indicative of a healthy economy.[64] According to the CEPR Ecuador's economy experienced a modest but reasonable growth rate of 1.5 percent through the years 2006 to 2016 compared to a prior rate of "0.6 percent over the prior 26 years." [65]

Mark Weisbrot et. al, author of said CEPR'S report, "Decade of Reform: Ecuador's Macroeconomic Policies, Institutional Changes, and Results" credits such a modest increment of real GDP growth to two separate, external shocks of a severely negative nature.[66] The first shock being a worldwide crisis and financial recession beginning in 2008 and ending in 2009, and the second shock being a drop in oil prices that began in 2014. Figure 6 demonstrates a general visual timeline of real GDP from the period of 1994 to 2018. Instances of downward real GDP occur in the year 1999, 2000, 2010, and 2016. This validates Weistbrot's claim that external

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[64] Callen, Tim. "Gross Domestic Product: An Economy's All." IMF. F&D, (February 24, 2020), https://www.imf.org/external/pubs/ft/fandd/basics/gdp.htm.

[65] Weisbrot, Mark, Jake Johnston, and Lara Merling. "Decade of Reform: Ecuador's Macroeconomic Policies..." Center for Economic and Policy Research, (February 2017): 6

[66] Ibid.

shocks occurring in the economy around the world, played a role in Ecuador's economic growth becoming constrained.

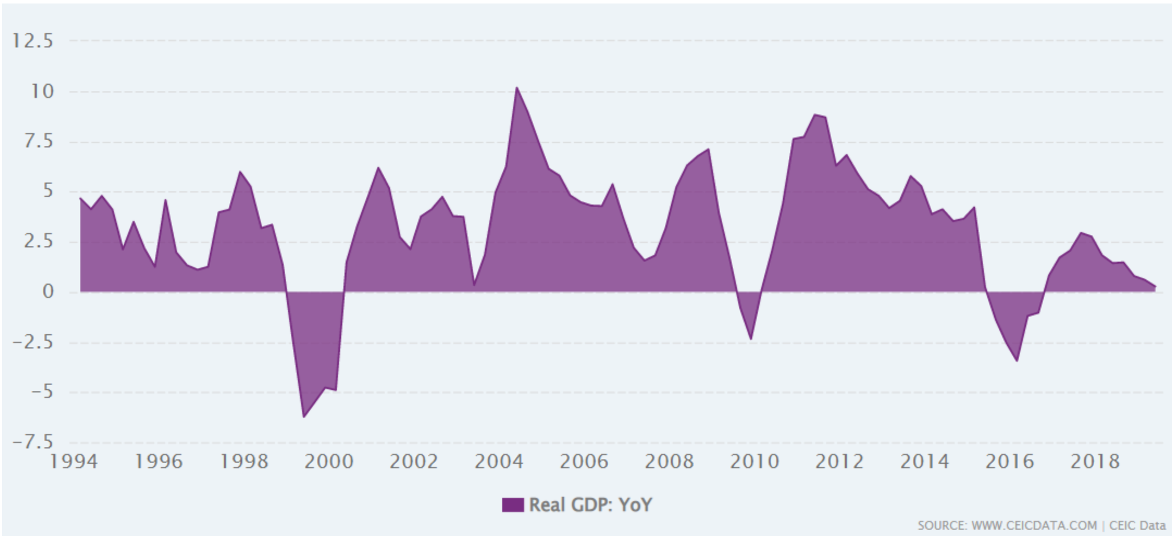

Figure 6*: Real GDP Annual Percentage Change*

For the sake of the focus of this section, *Table 1* breaks down the Real GDP Growth, measured in annual percentage change from 2017 to 2017, that occurred in Ecuador in comparison to the world's real GDP growth. If we look at the years 2008 (6.4), 2011 (7.9), and 2012 (5.6) it seems as though years of prior low growth (2007 and 2009) contributed to such a particularly high rise in growth during these years.

In a Congressional Research Service's (CRS) country overview of Ecuador, they note that in particular, Correa's government presided over their public investment-driven economic expansion, which is responsible for bringing about a growth average of 5% annually between 2010 and 2014.[67] Similar to the CEPRs report they elude, that in comparison to the world it seems that the dependence on oil prices for stability allowed instances of a lag and even negative

[67] "Ecuador: An Overview - Federation of American Scientists." Congressional Research Service. *In Focus*, (September 8, 2021), https://sgp.fas.org/crs/row/IF11218.pdf.

growth (2010-2016). Still, both sources note that it is important to remember that for a developing country to induce such levels of GDP growth is commendable.

Table 1: *Real GDP Growth in Ecuador in Comparison to World.* Source: *IMF 2018*

Real GDP growth (Annual percent change)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ecuador	2.2	6.4	0.6	3.5	7.9	5.6	4.9	3.8	0.1	-1.2	2.4
World	5.6	3.1	-0.1	5.4	4.3	3.5	3.4	3.5	3.4	3.3	3.8

In an IMF work, "Potential Output, GDP Nowcasting, and Forecasting", author Sebastian Acevedo further provides a visualization of real GDP breaking it down into its four components: "*Public Consumption*, *Private Consumption*, *Public Investment, Private Investment*, and *Net Exports."*[68] This visualization can be seen below in Figure 7. The two graphs below dissect these four components in terms of expenditure and in terms of the percentage they occupy in terms of the total real GDP.

Evidently, Figure 7 shows that expenditure experienced a noticeable increase in the Correa decade, especially in terms of private consumption, private investment, and public investment. This shift coincides with the average rate of 1.5 percent growth we detailed above. The expenditure of these sectors nearly doubled in comparison to the period before and following the transition to a dollarized economy. In terms of *Real GDP,* Figure 7 tells us that public investment and consumption increased over the last decade reverting to the decline in

[68] Acevedo, Sebastian. "Daily Compiled Reports." *TA Securities.* (2019). Pg 19. https://islamicmarkets.com/publications/bursa-malaysia-daily-market-report-15-february

public expenditure that happened in the 90s and early 2000s. It seems that the quantity the four components make up in the percentage of real GDP has increased private investment perhaps the most significantly by an average of 3%. As for the variation in net exports, it seems that Ecuador's economy has maintained a level of net exports of -2 percent, consistently from 1965 to 2016. Where a trade deficit can be indicated with a negative number means and a positive net export number indicates a trade surplus. A trade deficit occurs if imports exceed exports, in this case trade balance is said to be negative. [69]A trade deficit is sometimes assumed to be correlated with a strong economy and can indicate the potential for economic growth for a deficit-running country in the future, like Ecuador.

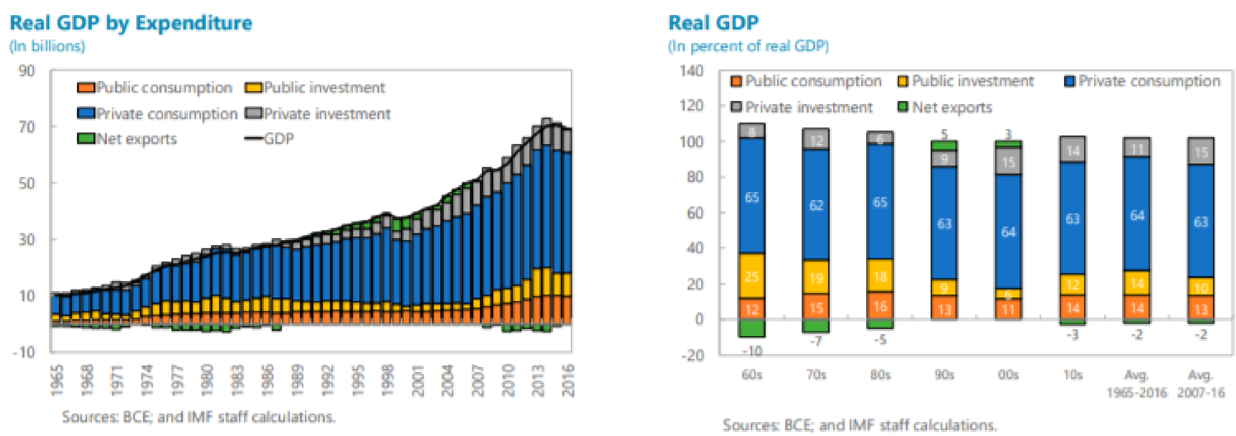

Figure 7*: Real GDP by Expenditure and Real GDP.* Source*: IMF*[70]

Referring back to the CEPR report we can further analyze GDP through observing the percentage of government spending allocated to social and public well-being. For instance, Weisbrot provides a chart that visualizes "social spending as being a percentage of GDP" in

[69]"What Is the Balance of Trade Deficit?" Invest info, October 26, 2020. https://absolute-investments.com/interesting/what-is-balance-of-trade-deficit.html.

[70] "Ecuador: Selected Issues Paper and Analytical Notes." *IMF*. (March 1, 2019): 5.

terms of "*Education, Social Welfare*, *Employment*, *Health,* and *Urban Development & Housing"* throughout 2006 to 2016.[71] The report says that the government had overseen that "social spending [grow], as a percentage of GDP, from 4.3 percent in 2006, to 8.6 percent in 2016."[72] As can be seen in Figure 8, this resulted in particularly "large increases in spending on education, health, and urban development and housing."[73] In regards to *Education* there was an impactful increase of a mere 2.3 percent expense in 2006 to a nearly doubled 4.3 percent increase in 2016. According to Weitbrot this led to significant achievements in increasing spending on education at higher levels, and an increase of enrollment in education at different levels.[74] This was an astonishing accomplishment for Ecuador as it had reached "the highest level of government spending on higher education in Latin America, and higher than the average of the OECD countries." [75] Correa's administration also allocated their spending in forms of expansive policy that would mitigate and tackle inequality in regards to health accessibility. *Health* in particular originally forming only 1.1 percent of GDP expense would rise to a percentage of 2.4 in 2016. Although a bit less obvious than education and health, this growth is also seen in the Urban Development & Housing which shifted from 0.2 in 2006 to 0.8 in 2016.

To reiterate, the CEPR report and Figure 8 suggest three important features and changes in social spending during Correa's presidency. The first is that public spending on education has in fact, more than doubled, in real (inflation-adjusted) terms. Second, there existed an increase in

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[71] Weisbrot, Mark, Jake Johnston, and Lara Merling. "Decade of Reform: Ecuador's Macroeconomic Policies..." *Center for Economic and Policy Research*, (February 2017): 6.
[72] Ibid.
[73] Ibid.
[74] Beeton, Dan. "Ecuador After Ten Years of President Correa: New Paper Examines Key Indicators, Reforms, and Policy Changes." *Center for Economic and Policy Research (CEPR),* (February 10, 2017).
[75] Weisbrot, Mark, Jake Johnston, and Lara Merling. "Decade of Reform: Ecuador's Macroeconomic Policies..." *Center for Economic and Policy Research*, (February 2017): 2.

healthcare spending that created an expanded access to medical care. Lastly, there was also a substantial vast expansion of government-subsidized housing credits in light of urban development policy protections.

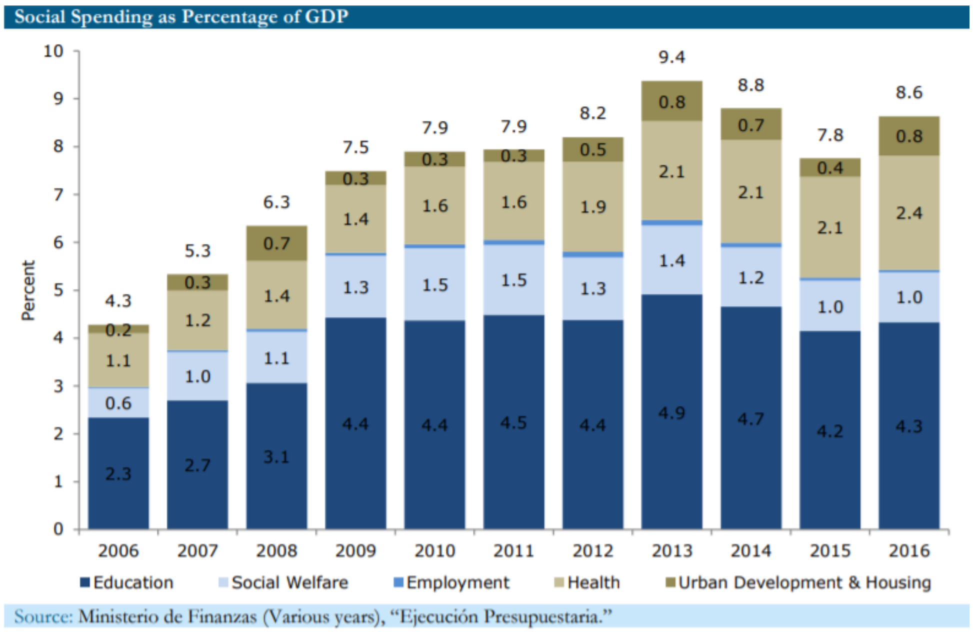

Figure 8*: Social Spending as Percentage of GDP.* Source*: CEPR*[76]

Additionally, Weisbrot's CEPR report also provides a table (pictured below as *Table 2*) that shows the contributions to the growth of GDP from different sectors from 2007 to 2015. If we look at the highest component of *TG* we see that construction (5.9 percentage points) seems to highlight an effort on behalf of the government to increase housing credit.[77] Furthermore, based on the percentage point value of 4.7, we see that "teaching, social services, and health", confirm "the government's large expansion of social spending in the education and health

[76] Ibid, 6.
[77] Ibid.

sectors."[78] Manufacturing (except petroleum), at 4.6 percent, is followed by public administration (3.8), commerce (3.6), transportation (3.1), and agriculture (2.7).[79] Finally, with the smallest contribution, we can conclude that petroleum or mining (0.6) and oil refining (-0.8) make up the smallest and even negative contributors to GDP growth.

Table 2: Sector Contributions to GDP Growth: 2007-2015. Source*: CEPR*[80]

Sector Contributions to GDP Growth: 2007–2015		
Sector	Total Growth	Percent of Total Growth
Construction	5.9	14.4%
Teaching, Social Services, and Health	4.7	11.3%
Manufacturing (except petroleum)	4.6	11.2%
Public Administration, Defense, Social Security	3.8	9.2%
Commerce	3.6	8.7%
Transportation	3.1	7.5%
Agriculture	2.7	6.5%
Petroleum and Mining	0.6	1.4%
Petroleum Refining	-0.8	-2.0%
Total	**41.2**	

The reasoning behind including this specific table in his report is because it is meant to explicitly recognize that the government's increased revenue from activities like those listed above is what allowed for government spending to focus on public goods and services. In other words, this was a clear indication that it was the reallocation and distribution of revenue that allowed for policy expansion that unveiled such major contributions to Ecuador's GDP growth during this decade.[81] The author stresses that this should be emphasized because it is assumed that "Ecuador's growth during the decade was solely a result of the production of oil or

[78] Ibid, 8.
[79] Weisbrot, Mark, Jake Johnston, and Lara Merling. "Decade of Reform: Ecuador's Macroeconomic Policies..." *Center for Economic and Policy Research*, (February 2017): 8.
[80] Ibid, 8.
[81] Ibid, 20.

minerals."[82] If we look closely at the percentage points it appears we can confirm the author's claim.

In a World Bank Report titled, "Ecuador Systematic Country Diagnostic ", the World Bank Group, also details how "Ecuador's economic growth translated into impressive social gains."[83] They recognize that it was evident that Ecuador enjoyed a healthy economy supported by its full dollarization transition, increased and reallocated government spending, and simultaneously high oil prices. Still, they outline how the existing structural vulnerabilities that emerged during Correa's decade in power, "remained hidden by favorable external conditions during the commodity boom."[84] Like many economists, who advised that oil wealth and dollarization were double-edged swords, they pointed out the instability in the latter half of the 2010 to 2017 time period. For it is at this moment that Ecuador's policies became inconsistent with the dollarized government. For instance, wages began to outpace productivity growth and consequently hurt the country's competitiveness. Furthermore, the economic shocks, mentioned previously, rightfully exposed additional underlying weaknesses of Correa's economy. The report found that specific "deep-rooted challenges such as macroeconomic imbalances, inefficiencies of the public sector, weak competitiveness, and underinvested private sector" were unveiled with the plunge in oil prices.[85]

In particular, the oil price plunge of 2014 and the subsequent US dollar appreciation were two shocks that allowed growing fiscal imbalances to constrain the Ecuadorian government. These imbalances would force the government of Ecuador to resort to central bank

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[82] Ibid.
[83] World Bank Group. "Ecuador Systematic Country Diagnostic." World Bank, Washington, DC. (2018).https://openknowledge.worldbank.org/handle/10986/30052
[84] Ibid.
[85] Ibid.

financing. Which only further precipitated an increase in public debt over the following years inadvertently leading to the drop of international reserves to very low levels. Despite the appearance of immense growth in Ecuador, the drop in "oil prices uncovered structural vulnerabilities that have constrained private sector investment and productivity gains, especially after 2007. In the period 2007 to 2014, private investment per capita and FDI as a share of GDP were the lowest among all of Ecuador's regional peers," such as Romania, Chile, Peru, Colombia, Brazil, Mexico, Argentina, and Malaysia.[86] This can be seen in Figure 9.

Additionally, the author points out that "only 8 percent of Ecuadorian firms exported directly or indirectly in 2016, in contrast to 14 percent on average in Latin America." [87] Further insinuating that Ecuadorian firms were not at the point in which they were "well integrated into global value chains relative to their neighboring countries."[88] This also culminated alongside a persistent "difference[s] in total factor productivity between firms (within the same sector) suggest that the constraints," were present that were "limiting productivity and competitiveness." [89] This pattern displayed the limited "opportunities for productivity gains in the private sector" in Ecuador.[90] The authors argued that encouraging the "development of a well-functioning and internationally integrated private sector would serve as a new engine to sustain growth and drive productivity gains moving forward" for the country of Ecuador.[91]

[86] World Bank Group. "Ecuador Systematic Country Diagnostic.*" World Bank, Washington, DC.* (2018): 25.
[87] Ibid.
[88] Ibid.
[89] World Bank Group. "Ecuador Macroeconomic Stability and Competitiveness Challenges." *World Bank, Washing, DC* (2019.)
[90] World Bank Group. "Ecuador Systematic Country Diagnostic.*" World Bank, Washington, DC.* (2018): 32.
[91] Ibid.

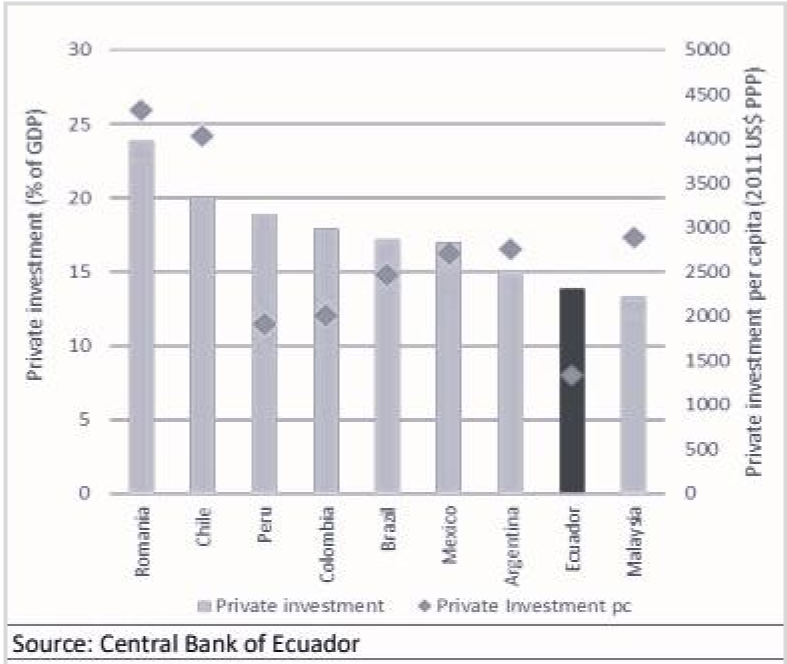

Figure 9: *Private Investment (% of GDP and Per Capita Average 2006-2014).* Source*: World Bank* [92]

The report further observed "four main transmission channels between oil prices and GDP."[93] The first, was the fact that "higher oil prices typically lead to higher terms of trade, which then directly raise domestic income and induce more consumption and [or] savings."[94] This is indeed what was seen in Ecuador during the 2001 to 2014 period. Second, was "that an increase in the price of oil reduces the relative price of other inputs, which underpins investment that seeks to take advantage of higher profitability."[95] With this they continued to argue that "higher oil prices raise the level of public sector revenues," which then contributes and invests into the improvement of public infrastructure, with positive prospects of growth.[96] The final transmission channel was essentially relating commodity booms with the tendency to "appreciate

[92] Ibid, 9.
[93] Ibid, 17.
[94] Ibid.
[95] Ibid.
[96] Ibid.

the exchange rate, which helps contain the prices of tradable goods."[97] This in addition to the rise in incomes and "lower savings, pushes up the cost of non-tradable goods and services, like labor costs."[98] This then results in higher wage bills further contributing to the exchange rate appreciation. This is in a sense "harming the competitiveness of domestically produced tradable goods."[99] Or in other words encouraging a case of Dutch disease.[100] The phenomena Dutch disease garnered its name following the 1960s discovery of natural gas reserves in the Netherlands that caused economic stagnation.[101] In a working paper titled, "The Resource Curse Hypothesis: Evidence from Ecuador" authors Andrea Cori and Salvatore Monni explain that the disease lies in the movement of a country's available resources "from higher value-added activities capable of guaranteeing long term growth, in secondary and tertiary sectors, to the extractive industry." [102]

Following closer analysis the SCD report concludes that the oil price boom had initially been the motor behind private demand and with the progression of time the country began to support large expansion in public spending. The author details that "Ecuador's large terms of trade shock and economic reforms increased private sector confidence and strengthened the financial sector, which experienced a gradual recovery in deposits and credit."[103] As a result, private investment would experience growth whereas "private consumption, on the other hand, was only boosted by continued adjustments and improvement in employment outcomes."[104] It

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[97] Ibid, 17.
[98] Ibid.
[99] Ibid.
[100] Cori, Andrea, and Salvatore Monni. "The Resource Curse Hypothesis: Evidence from Ecuador." (2014): 4
[101] Van Wijnbergen, (1984)The 'Dutch disease': a disease after all? The Economic Journal 94 (373): 41–55.
[102] Ibid.
[103] World Bank Group. "Ecuador Systematic Country Diagnostic*." World Bank, Washington, DC.* (2018): 18.
[104] Ibid.

seemed as if "private demand accounted for the bulk of the 4.8 percent average annual GDP growth during 2001 to 2006, while public consumption remained constant."[105] It was only "after 2007, [that] the private-public shift was dramatic. Oil resources, which were increasingly channeled to the public sector, helped finance in the expansion of both current and capital spending," this can be seen below in Figure 10.[106] "As a result, public demand,"can be thought of as "the main driver of growth, accounting for almost two-thirds of the 4.4 percent average annual growth that occurred through 2007 to 2014." [107]

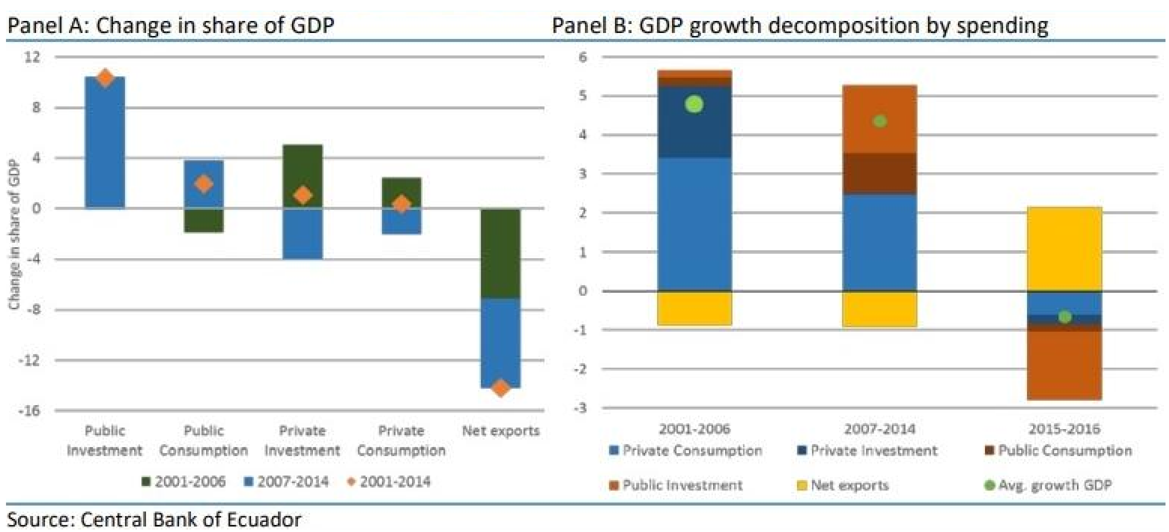

Figure 10: *Change in GDP Shares and Growth Decomposition.* Source*: World Bank.[108]*

In terms of GDP the World Bank, CEPR, and the IMF similarly find that the overall growth in Ecuador's Economy during the period 2007 to 2017 was a time in which public policy and public spending guided economic growth. The World Bank's SCD in particular, details

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105 Ibid.
106 Ibid.
107 Ibid.
108 Ibid.

sustainable methods that can be taken to promote inclusive growth through the prioritization of challenges that do currently exist. The authors propose three key elements that they believed must be implemented in order for a cohesive trajectory for growth to take place in Ecuador for the short, medium and long terms. Firstly was the promotion of continued macroeconomic stability, second was the enabling of the efficient allocation of resources into the private and public sector, and lastly was the protection of the poor and vulnerable.

In sum, The World Bank's SCD argues that despite continual instances of oil booms providing the potential for a transformation of Ecuador's economy its status in terms of high poverty, in terms of economic prosperity in comparison with other countries in South America is enough cause for intervention. Notwithstanding the fact that the Ecuadorian economy had grown since the extensive periods of oil booms; approximately "four million people in Ecuador are continually reported to be living in poverty, and 1.5 million living in extreme poverty as recently as 2015."[109] In other words, over the course of Rafel Correa's presidency his bolstering economy continued to lead as one of the prime victims of "dutch disease" or the Natural Resource Curse, a phenomena where countries rich in natural resources do not see increases in human development. [110]

Looking at GDP growth and breaking down the components and successes of Ecuador's economy allows for objective observations that display the progress that former President Correa executed during his time in office, however, there are caveats that unfold when only looking at these economic indicators. The following section dissects persistent issues regarding poverty and

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[109] "Oil Drilling and Extreme Poverty in Ecuador." BORGEN, November 30, 2017. https://www.borgenmagazine.com/oil-and-poverty-in- Ecuador/.
[110] Frankel, Jeffrey. "The Natural Resource Curse." *Harvard Kennedy School*, (April 2012), https://www.hks.harvard.edu/centers/cid/publications/faculty-working-papers/natural-resource-curse.

inequality that transcended past a decade of seemingly linear economic growth and stability. The intention of this section is to produce an analysis of the institutional policies in place, and the changes made by the Ecuadorian government to the administration as a response to the persistent inequality that followed Correa's presidency.

Correa is largely recognized for his vast reduction of poverty levels and consequently the overall reduction of inequality in Ecuador. According to the CEPR country report between 2006 and 2016, poverty decreased from 36.7% to 22.5%. This statistic in itself outlines a significantly larger poverty reduction than that of the prior decade. The report credits such a reduction to be a result of increased rates of employment and the introduction "of government programs that helped the poor, such as the cash transfer program *Bono de Desarollo Humano*, which more than doubled in size as a percent of GDP."[111]

In the World Bank Group *Poverty and Equity Brief,* Sergio Oliverio details the poverty headcount rate in Ecuador from 2007 to 2019. This poverty headcount ratio serves to represent the part of the Ecuadorian population that stands well under the national poverty line.[112] Oliverio explains that "between 2007 and 2013, the income for the bottom 40 grew between 7 and 9 percent annually, compared to an overall mean growth rate of 4 percent. Nonetheless, since 2013 the income growth for both the bottom and the top percentiles of the income distribution stagnated."[113] Figure 11 serves to demonstrate that the poverty reduction efforts enacted during

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[111] Gonzales, Manuel. "Mark Weisbrot and the debacle of heterodox economics: "Ecuador's Left-Wing Success Story." *Economía en Jeep: Un blog sobre economía del Ecuador* (2017.)
[112] UN-HABITAT. "Financing urban shelter : global report on human settlements 2005." *United Nations Human Settlements Programme* (2005,) 181.
[113] Oliverio, Sergio. "Poverty and Equity Brief Latin American and the Caribbean. Ecuador" World Bank Group, (April 2020),
https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_ECU.pdf

Correa's presidency had been felt by those “at the lower end of the income distribution before the plunge in oil prices had occurred.”[114] Unfortunately, poverty is seen to have even reached 25 percent in 2017 accordingly, affecting more than 4 million Ecuadorians. This itself overlaps with the fact that there was “a steady deterioration of labor market conditions with a significant decrease in formal jobs at the time.”[115] This led to an increase in 2019 of the rates of underemployment and informality in 2019, with the rates being 46.7 percent—the highest rates since 2007.[116]

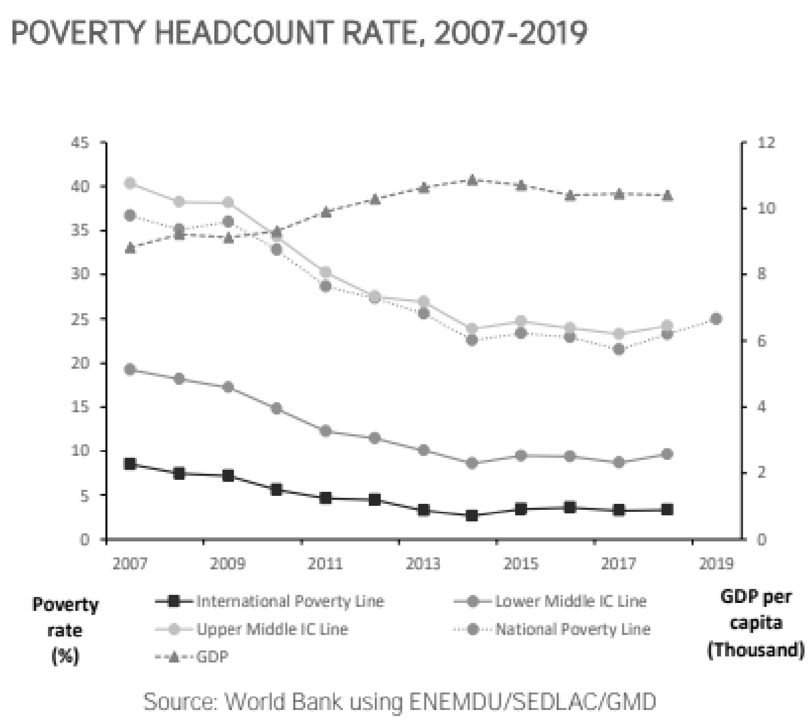

Figure 11: *Poverty Headcount Rate, 2007-2019* Source*: World Bank.*[117]

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[114] Ibid.
[115] Ibid.
[116] Ibid.
[117] Oliverio, Sergio. "Poverty and Equity Brief Latin American and the Caribbean. Ecuador" World Bank Group, (April 2020), https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_ECU.pdf.

Still, during Correa's term inequality was said to face a substantial fall, “as measured by the Gini coefficient (from 0.55 to 0.47), or by the ratio of the top 10 percent to the bottom 10 percent of the income distribution (from 36 to 25, as of 2012.)”[118] Figure 12 illustrates this change in the Gini Index for Ecuador. Observing the Gini Index allows us to measure how or if the distribution of consumption expenditures and or income expenditures among individuals “within an economy deviates from a perfectly equal distribution.”[119] A Gini Index scale works as follows: a Gini Index score of 0 is representative of perfect equality, whereas a score of 100 is implicative of absolute inequality.[120] This visual line graph can demonstrate the reduction of inequality occurring in particular years of economic prosperity and recovery. Still, it is evident that there is instability and instances of high inequality occurring particularly in the years 2013 and 2015 with a prospective rise following the departure of the former president.

[118] Weisbrot, Mark, Jake Johnston, and Lara Merling. “Decade of Reform: Ecuador’s Macroeconomic Policies, Institutional Changes, and Results.” Center for Economic and Policy Research, February 2017.
[119] Ibid.
[120] UN-HABITAT. “Financing urban shelter : global report on human settlements 2005.” *United Nations Human Settlements Programme* (2005,) 181.

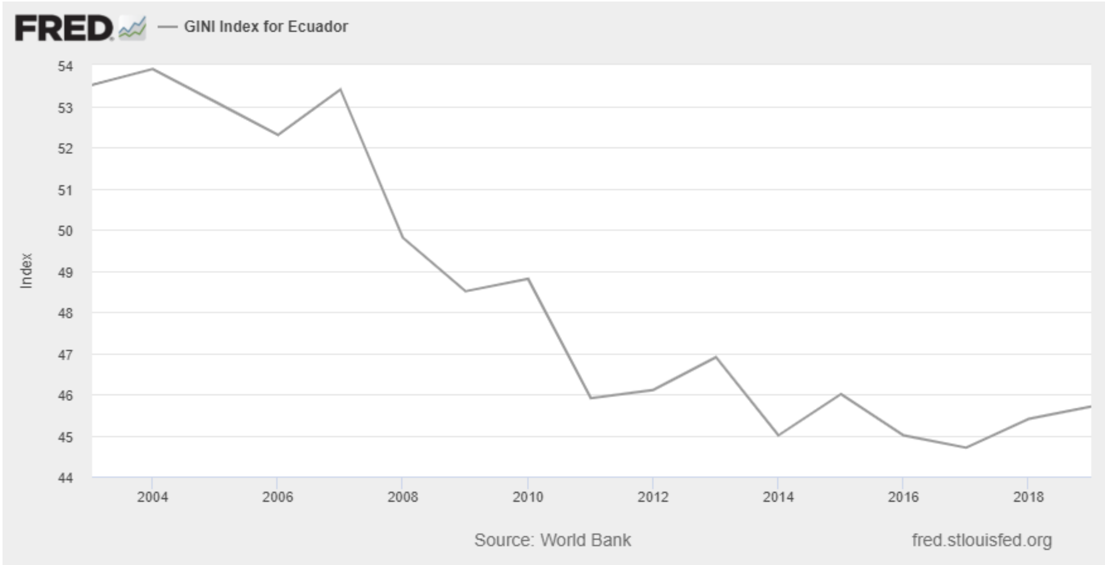

Figure 12: *Gini Index for Ecuador, (2003-2019)*

Public Policy and Persistent Inequality

The latter half of Correa's presidency seemingly became an era of increasingly authoritarian politics imposing limitations on freedom and true equity. Following the initial period of Correa's presidency, Indigenous lands, like the Amazon, were still continually exploited for oil by government-backed resource development companies.. Lamentably, Correa's administration began to continually suppress protests against projects on traditional lands that were led by Indigenous peoples, with the government even condemning Indigenous activists as terrorists.[121] In order to grasp an understanding of the most pressing policy issues that took place throughout the decades following economic crises and currency substitution in the 20th century, it is important to identify the inequalities that have been either overlooked or persistent in the Ecuadorian governments' search for genuine political and macroeconomic stability in the 21st century.

[121] "Ecuador: An Overview - Federation of American Scientists." Congressional Research Service. *In Focus*, (September 8, 2021), https://sgp.fas.org/crs/row/IF11218.pdf.

Recognizing policy issues is an act of assessing what the collective problems or challenges citizens are forced to deal with that the government has the ability to correct. In ither words it can be thought that policy in Ecuador would ideally be aimed at combating racial and ethnic discrimination, chronic poverty, and mitigating labor accessibility into the formal sector. Professor of epidemiology Kate Pickett's essay "Reducing Inequality: An Essential Step For Development And Wellbeing" details that wealth and income inequality can worsen the state of a person's economic stability while increasingly leaving them exposed to a range of social and health problems. Pickett says that "social and economic inequalities tear the social fabric, undermine social cohesion and prevent nations, communities, and individuals from flourishing." [122] She emphasizes that this is the very reason tackling inequality forms a large part of 17 interlinked Sustainable Development Goals that were designed with the intention to be a "blueprint to achieve a better and more sustainable future for all".[123] In other words, policy is vital to the possibility of economic prosperity and inequality reduction. We can conclude from Pickett's essay that it is the unwavering duty of a country like Ecuador to address inequality head on in order for the country to meet the standard set by the Sustainable Development Goals, that had been established in 2015 by the United Nations General Assembly, meant to be implemented and achieved by the year 2030.

In "Sources of Economic Inequality in Ecuador" authors José-Ramírez Álvarez and Juan Díaz Sanchez carry out an analysis of the main sources of income that contribute to economic inequality in Ecuador according to data from the Living Conditions Survey 2013-2014. The authors use curves of concentration and Lorenz curves, together with the methodology proposed

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[122] Pickett, Kate. "Reducing Inequality: An Essential Step for Development and Wellbeing." *Social Europe.* (April 23, 2019), https://socialeurope.eu/inequality-essential-wellbeing.
[123] Ibid.

by Lerman and Yitzaki (1985) to discuss the impact of economic inequality in Ecuador, arguing that the disparities caused by wealth gaps create a serious controversy with the development principles stipulated in the Ecuadorian 2008 Constitution. The authors find that economic inequality strongly depends on the income distribution of wage earners.

The study outlines four factors in particular that they see as contributing to economic inequality; first, is self-employment income, although its contribution is less insight for labor income, its concentration in the percentiles of lower-income is higher. "This evidence points to the need for a policy tax with a mostly progressive tax, deductions focused on MYPYMES, and better control strategies that deter fraud tax, in order to increase the tax rate on income received by employers and account provided, and improve income distribution."[124] Second, the concentration of returns on capital is high, especially when It's about finance capital. However, a policy aimed at regulating the operations in this market, despite the complications due to high informality, would give insignificant results in reducing inequality. Third, lies in addressing the limitations present for those wishing to enroll in perhaps Ecuador's most impactful cash transfer programs, B*ono de Desarrollo Humano* [Human Development Bonus]. Not only is the BDH recognized as progressive, this CCT also helps reduce income inequality, so it would be advisable to design more controlled and effective, as well as to analyze the possibilities to increase its coverage and financing. [125]Lastly, remittances received from abroad, despite being progressive, contribute positively to income inequality. This points out the importance of generating sources of well-paid work, this should include benefits and wage security, so that subsequently there is discouragement for emigration abroad. This includes, among other things,

[124] Ramirez, J., and Diaz, J. "Sources of economic inequality in Ecuador." *Magazine Economics and Politics.* (2017): 25.
[125] Ibid. 19.

giving access to a diversified and high-level education, in order to equalize the opportunities of workers regarding the activities they wish to carry out. [126]

The authors conclude their article with various policy guidelines that can serve to reduce labor income inequality, and thereby effectively reduce total income inequality. Some of which are: increasing the minimum wage, guaranteeing legal benefits, closing gaps between socio-economic and gender pay, regulating salary scales in entities public and private, provide greater labor flexibility, equalize remuneration by the nature of the work. These guidelines for the preparation of public policies are immensely impactful; as they are in line with the development principles originally established in Ecuadors' 2008 Constitution, national plan for *Buen Vivir* that the government insists to value. It is evident that Alvarez and Sanchez have begun the conversation about the appropriate measures the Ecuadorian government must take in order to effectively reduce persistent economic inequality and inequity.

In conclusion, it is evident that Former President Rafael Correa's administration did increase government spending while simultaneously attempting to increase the standard of living in Ecuador. Still, though the conditions entering the 2000s seemingly embodied a decade of growth for the Ecuadorian economy, the people of Ecuador did not fully recover from existing inequality and instead continued to face chronic human rights challenges, including weak institutions, scarce labor opportunities, poverty, and disregard for Indigenous rights well into the 2010s. To the public, it seemed as though the unstable political and administrative years that valued neoliberalism in the decade prior to Ecuador's constitutional reform of 2008 weakened future administrations, like Rafael Correas', in terms of the long-term policy change and

[126] Ibid. 25.

potential policy continuity intended to deal with the improvement and social well-being of the Ecuadorian people.

Chapter 3: Moving Forward and the Possibility of a Job Guarantee Program

The purpose of this third chapter is to propose a solution to tackle Ecuador's persistent challenges of high informality, intergenerational poverty, and chronic unemployment. I suggest that a job guarantee may be the answer and can be formulated by modeling existing national and international social policy. I argue that through analysis of the successes and pitfalls of existing Latin American conditional cash transfer programs (CCT), including Ecuador's highly recognized CCT program, *Bono de Desarollo Humano* and Argentina's successful job guarantee program *Plan Jefes y Jefas* the implementation of an Ecuadorian job guarantee, is possible. Furthermore, if a job guarantee program is to come to fruition in Ecuador, given the country's social philosophy of *Buen Vivir* [Good Life], the program can be referred to as *Buen Trabajo* [Good Work].

Existing Conditional Cash Transfer Programs in Latin America

Since their implementation, conditional cash transfer (CCT) programs have served as an essential tool in mitigating and improving social policy throughout Latin America.[127] A CCT program can be understood, according to authors Juan Ponce and Arjun Bedi, as programs that tackle rising poverty and can improve the capacity to accumulate human capital. In terms of educational outcomes, CCT programs serve to promote school enrollment and consequently

[127] Ponce, Juan, and Arjun S. Bedi. "The Impact of a Cash Transfer Program on Cognitive Achievement: The Bono De Desarrollo Humano of Ecuador." *SSRN Electronic Journal*, 2008. https://doi.org/10.2139/ssrn.1251026.

reduce the probability of child labor.[128] In other words, the program can be thought of as a social safety net for developing countries that serve to reduce poverty and promote the investment of health and education for the elderly and younger generations to come. Mexico is recognized as one of the first countries to nationally implement a successful CCT program*, Oportunidades/ Prospera* [Opportunity/Prosper]. The 2002 *Oportunidades* program has, in the present day, been replicated in 52 other countries, Ecuador' *Bono de Desarrollo Humano* (BDH) being one of the replications. [129]

The BDH program was established in 2003 and served as the successor of the *Bono Solidario* (BS) program that lasted from 1998 to 2003. The former BS and ongoing BDH programs have been analyzed by many scholars in terms of their faults and long-term effectiveness. In particular, scholars Mauricio León G., Rob Vos, Wladimir Brborich detail in their technical report, "¿Son efectivos los Programas de Transferencias Monetarias para Combatir la Pobreza? Evaluación de Impacto del Bono Solidario en el Ecuador" the way the BS program became the backbone of the social protection network in the country post the economic crisis of 1998 to 2000.[130] The authors recognize that Ecuador is a complex country to evaluate in the socioeconomic context when it comes to observing the role of income transfer programs, given the country's immense vulnerability (dollarization, external shocks, and macroeconomic instability).[131] Still, the authors argue that that exact vulnerability justifies having a permanent

[128] Ibid.
[129] BORGEN. "Conditional Cash Transfer Programs in Latin America." (March 15, 2021), https://www.borgenmagazine.com/conditional-cash-transfer-programs/#:~:text=Since%20Mexico%20was%20one%20the,been%20replicated%20in%2052%20countries.
[130] Vos, Rob & Leon, Mauricio & Bborich, Wladimir. "¿Son efectivos los programas de transferencias monetarias para combatir la pobreza? Evaluación de impacto del Bono Solidario en el Ecuador." *Ministry of Social Development* (2001): 5.
[131] Ibid.

mechanism of income transfer that guarantees a minimum income to the vulnerable population during difficult moments.

However, like many at the time, the authors believed that poverty could not be reduced solely through the transfer of income or subsidies on demand. Given the particular origins of Ecuador's poverty, the eradication of structural poverty, they argue, requires social policies that integrate education, health, economic and social infrastructure, access to productive and financial assets, and that are coordinated with economic policy. In this context, monetary transfers should only act as an additional element that can contribute to overcoming poverty and that, according to the empirical evidence of this study, "may constitute a link between the fight against poverty and the fight against structural and intergenerational poverty."[132] This objective was essentially the embodiment of the 2003 BDH CCT program.

The BDH program was created with the intention to provide money transfers, delivered through the network of private banks. It consists of a monthly transfer of 50 USD.[133] The programme includes conditionalities for the transfer to the households, but these are not controlled. The target population for this program was families in extreme poverty with children under 16 years of age, adults over 65 years of age, and people with disabilities.[134] The program forms part of the Social Protection Program (PPS) of the Ministry of Economic and Social Inclusion (MIES) through which it is inherently linked to microcredit and professional training programs like the *Credito Productivo Solidario* and protection against emergencies and natural

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[132] Ibid. 32.
[133] "Bono De Desarrollo Humano." Ministerio de Inclusin Econmica y Social. Accessed February 1, 2022. https://www.inclusion.gob.ec/bono-de-desarrollo-humano1/.
[134] CEPAL. "Bono De Desarrollo Humano (2003-) - Programas De Transferencias Condicionadas - Base De Datos De Programas De Protección Social No Contributiva En América Latina y El Caribe." *ONU Naciones Unidas.* Accessed January 30, 2022, https://dds.cepal.org/bpsnc/programa?id=15.

catastrophes, *Bono de Emergencias*.[135] In terms of scale, the BDH program is based on cartographic information from the *National Institute of Statistics and Censuses* (INEC) and the Index of Unsatisfied Basic Needs—the census sectors where the incidence of poverty exceeds 50% of households are subject to selection.

Regarding their targeting method for widely dispersed census sectors, such as in the Amazon, families are summoned through a local authority to go to a public site and provide the information required for the Social Registry. Exit from the program typically occurs when the eligibility conditions are lost. Recertification occurs every five years.

In a 2014 report, "The Employment Situation in Latin America and the Caribbean: Conditional Transfer Programmes and the Labour Market" scholars that work within the *United Nations Economic Commission for Latin America and the Caribbean* (ECLAC) network detail the trends that appeared concerning the labor market and existing CCT programs throughout Latin America in 2013—of which Ecuador was one of the 21 countries observed.[136] Therefore, understanding overall trends can help assess the effectiveness of programs like the BDH in the present day. The report's authors evaluated the dangerous outcomes that can arise through the implementation of CCT programs, such as challenges for labor inclusion and disincentives to the formalization of jobs. The report does not diminish the importance of the performance of CCT programs, but it does set the standard that more measures are to be taken in terms of productive labor inclusion services. These measures should be supporting labor supply and labor demand, they say. Labor supply can be improved through the inclusion of technical and vocational training as well as providing remedial education. On the other hand, labor demand can be

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[135] Ibid.

[136] Bradshaw, Sarah. "Handbook for estimating the socio-economic and environmental effects of disasters." *United Nations, ECLAC & International Bank for Reconstruction & Development. The World Bank*.(2003).

improved throughout the program if there is a focus on “(i) support for independent work through microcredit, self-employment and entrepreneurship; (ii) labor intermediation services; (iii) direct job creation and (iv) indirect job creation.”[137] This, the authors say, “would create a protection floor that could lead to a ‘virtuous circle' of independent income” for future generations.

A virtuous circle would consist of a primarily strengthening of the human capital of adults and children, this would then inherently provide future generations and participants with greater opportunities to enter the labor market, and would also possibly increase the person's capability to bargain low wages, putting an end to discriminatory and unfair practices in the labor market.[138]Still, “for the ‘virtuous circle’ to become a reality, CCTs they say ‘must go beyond cash transfers and directly or indirectly (in other words, through coordination with other public programmes) provide young people and working-age adults, living in poverty, with opportunities to improve their capacities and potential for productive and labor inclusion.”[139] Additionally the authors make it a point to acknowledge that, despite the exit from CCT programs occurring “once families manage to generate enough income to keep themselves out of poverty”, “families’ exit from these programmes should not be taken as their departure from social protection.”[140] Instead, in order to truly preserve a person's right to social protection, a person who has exited the program should be met with a process that links them to “other social protection and

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[137] CEPAL, NU. "The employment situation in Latin America and the Caribbean: Conditional transfer programmes and the labour market." *ECLAC* and *ILO.* (2014): 15.
[138] Ibid, 8.
[139] Ibid, 21.
[140] Ibid. 22

promotion measures" that offer a "passage through different stages of interventions tailored" to the person's specific needs. [141]

These same propositions and policy recommendations have been detailed in other scholarly work regarding Ecuador's existing BDH program; for instance in 2007, Christina Paxson and Norbert Schady in their "Does Money Matter? The Effects of Cash Transfers on Child Health and Development in Rural Ecuador" observed the ways in which access to health clinics, nutrition, and familial behaviors were affected by the introduction of programs like the BDH program.[142] The authors found that cash transfer programs had "positive effects on the physical, cognitive, and socio-emotional development of children, and the treatment effects were substantially larger for the poorer children than for less poor children."[143] Essentially, this was seen when children's nutrition improved and further when there was a rise in frequency in seeking and receiving treatment for those exposed to parasitic infections. Still, these "children were not more likely to visit health clinics for growth monitoring, and the mental health and parenting of their mothers did not improve."[144] Furthermore, the authors insist that further research assessing whether unconditional transfers or the addition of conditionality could maximize the improvement in the welfare of families in poverty needs to be conducted. The authors recognize that, on one hand, conditionality may serve to reduce budgetary costs, possibly "increase the political demand for increases in the numbers and improvements in the quality of

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[141] Ibid.

[142] Bogle, Mary. "Boosting Upward Mobility: Exemplars" Research Report. Urban Institute. (June 2020) https://www.urban.org/sites/default/files/publication/102343/boosting-upward-mobility-exemplars_0_1.pdf

[143] Paxson, Christina. Norbert Schady. "Does Money Matter? The Effects of Cash Transfers on Child Health and Development in Rural Ecuador." World Bank Policy Research Working Paper 4226, (May 2007), https://pubmed.ncbi.nlm.nih.gov/20821896/#:~:text=The%20cash%20transfer%20program%20had,poorest%20children%20in%20our%20sample.

[144] Ibid, 1.

public health clinics," and allow for the confrontation of problems like absenteeism.[145] While, on the other hand, requirements such as, children being taken to health clinics, they say, "only makes sense if parents lack knowledge about the value of health care, or if mothers do not have the leverage within families to make sure that children receive appropriate medical care."[146] In other cases, it could set up roadblocks for those who have no control over infrastructure and accessibility issues that arise in terms of the resources that currently exist. Regardless of this, Paxon and Schady's paper serves to outline crucial indicators needed for the design of future programs, or improvement of existing programs, that can center around the improvement of socioeconomic conditions starting as soon as in early childhood.

In 2008, Juan Ponce and Arjun S. Bedis in their academic journal "The Impact of a Cash Transfer Program on Cognitive Achievement: The Bono De Desarrollo Humano of Ecuador"conducted an assessment of the impact the BDH program had on cognitive achievement and "test scores suggesting that attempts at building human capital measured by cognitive achievement require additional and alternative interventions."[147] Ponce and Bedis find that enrollment was positively correlated with the enforcement of conditionality.[148] They found, however, that there was no positive impact on test scores, arguing that while "demand side interventions" to get children to attend school works, improving learning would require alternative programs that improve the supply side or quality of education.[149] The specific

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[145] Ibid, 34.
[146] Ibid.
[147] Ponce, Juan, and Arjun S. Bedi. "The Impact of a Cash Transfer Program on Cognitive Achievement: The Bono De Desarrollo Humano of Ecuador." *SSRN Electronic Journal*, (2008), https://www.iza.org/publications/dp/3658/the-impact-of-a-cash-transfer-program-on-cognitive-achievement-the-bono-de-desarrollo-humano-of-ecuador.
[148] Ibid, 19.
[149] Ibid.

recommendation given was that the government should provide incentives for the supply side through the incentivization of educators to improve the education system. This journal does not discredit the positive effects the BDH program has had. However it, like others, insists there is a need for more to be done.

Job Guarantee Explained

The first official Job Guarantee proposal was originally proposed and conceived by Bill Mitchell in 1998. [150] A job guarantee (JG) program can be thought of as an economic policy that seeks to combat the problem of chronic involuntary unemployment and persistent inflation. The JG has been further studied and developed by scholars, L. Randall Wray and Mitchell and Muysken preceding the years after it was originally proposed. In the existing literature that regards JG's the authors explain that a JG is meant to achieve "full employment" and assert price stability by "having the state promise to hire unemployed workers."[151] The state would be, in a sense, acting as an employer of last resort, providing a job for any and all who seeks one, similar to how the US federal reserve acts as a lender of last resort, for banks and institutions.[152] Authors and economists Phillip Harvey and Bill Mitchell believed that the right to employment

[150] "Job Guarantee ." International Encyclopedia of the Social Sciences. . Encyclopedia.com. (April 25, 2022). https://www.encyclopedia.com/social-sciences/applied-and-social-sciences-magazines/job-guarantee
[151] Wray, L. Randall (23 August 2009). "Job Guarantee". *New Economic Perspectives*. Retrieved 31 July 2018. https://en.wikipedia.org/wiki/L._Randall_Wray
[152] Sawyer, Malcolm. "Employer of Last Resort: Could It Deliver Full Employment and Price Stability." *Journal of Economic Issues* 37, no. 4 (2003): 881-907.

was an inalienable human right, emphasizing that there is a need for a social safety net like a JG program.[153]

Pavlina Tcherneva, author of “The Job Guarantee: Design, Jobs, and Implementation”, argues that there is a broader policy agenda even within the possible implementation of a JG that can go further than just providing decent work and decent pay. She says a job guarantee, “ would include expanding Social Security and Disability benefits, reducing the retirement age and working week, and instituting a federal-level paid family leave.”[154] A JG should centralize in the tackling of income insecurity and furthermore, there should be more done to further the opportunity to expand the program to provide “a universal child allowance policy, universal childcare, free school lunches, and a public healthcare option…” in cohesion with the objectives of the program.[155]

To reiterate, the JG program essentially serves as a "last resort" for those unable to find a job through standard demand, without competing with the private sector for laborers. By creating projects and jobs based on the needs of local communities, at the minimum wage, the government can address the issue of unemployment while creating meaningful employment opportunities. This is not a new outlandish proposal, as we have seen aspects of this guarantee within the “United Nations’ Universal Declaration of Human Rights, Employment Act of 1946 and the Full Employment Act of 1978.”[156] For instance in 1933 the United States President

[153] Mitchell, Bill. “Employment Guarantees in Developing Countries.” *Modern Monetary Theory*, (May 10, 2009), http://bilbo.economicoutlook.net/blog/?p=2164.
[154] Tcherneva, Pavlina R. “The Job Guarantee: Design, Jobs, and Implementation.” *SSRN Electronic Journal*, (2018): 8, https://doi.org/10.2139/ssrn.3155289.
[155] Ibid.
[156] Smith, Yves. “Randy Wray: The Job Guarantee and Real World Experience.” *Naked Capitalism*, (April 24, 2012).
https://www.nakedcapitalism.com/2012/04/randy-wray-the-job-guarantee-and-real-world-experience.html

Franklin D. Roosevelt approved the revolutionary American New Deal, which provided inclusive public work "programs such as the Federal Emergency Relief Administration and the Works Progress Administration that provided" millions of Americans with work following the major economic crisis that was the Great Depression.[157] Outside of the United States, numerous countries have attempted to implement direct job creation programs, and a numerous have been met with success.

Bill Mitchell details in a recap called "Employment Guarantees in Developing Countries" that there do exist three particular issues that can arise when attempting to implement a job guarantee outside of the US. The first, is that in developing countries opportunities for formal work are typically low. Thi is due largely because there isn't the ability to expand resources for human development and many people in Ecuador seek employment in the informal sector where the amount of wages and working conditions are likely to be highly unstable and unregulated.[158] Second, countries may only possess the capacity to produce a small range of commodities and focus a reliance on imports for a large number of other types of goods.[159] This problem can be further exacerbated if the exchange rate is pegged to another currency or if the country itself is no longer monetary sovereign and has undergone full dollarization. Third, is that the "administrative capacity of the country's government might be quite limited, and domestic infrastructure might be inadequate," prohibiting the capability of significant increase in productive capacity.[160] In the case of Ecuador, all three of these issues exist. Still, if we observe

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[157] Julian Adler. "Fighting Poverty and Reducing Jail... in Real Time." Talk Poverty, March 6, 2018. https://cdn.talkpoverty.org/2014/08/20/fighting-poverty-reducing-jail-real-time/.
[158] Mitchell, Bill. "Employment Guarantees in Developing Countries." *Modern Monetary Theory*, (May 10, 2009), http://bilbo.economicoutlook.net/blog/?p=2164.
[159] Ibid.
[160] Ibid.

Argentina's *Plan Jefes y Jefas* there is evidence that an employment program and furthermore a JG program can start in Ecuador, even if at a small scale, there is potential that a JG can eventually develop into something grand.

Argentina's *Plan Jefas y Jefes de Hogar Desocupados*

Argentina's JG program, *Plan Jefas y Jefes de Hogar Desocupados* lifted numerous households out of poverty and provided employment to vulnerable individuals after Argentina's tragic financial crises that lasted from 1998 to 2002. Referring to the PJJ can serve to outline how Ecuador too could expand policy to create and instill a direct JG program. In order to understand how the PJJ came to be it is important to analyze its origin.

In 2002, just after Argentina had felt the onset of an immense economic crisis in 2001, President Eduardo Duhalde signed a decree that regulated a program for heads of household, also known as the Family Right to Social Inclusion: *Plan Jefas y Jefes de Hogar Desocupados*. The assistance plan consisted of a monthly non-remunerative financial aid of $150 Argentine pesos in exchange for four to six hours of daily work.[161] The funds needed to finance the program during the year 2002 was funded from the national treasury, from the reallocation and unification of items destined for the social programs previously in force, and from the product of taxes on foreign trade.[162] Its financing for 2003 was approximately 3,000 million pesos and was covered by funds from the national treasury and a loan of 600 million dollars from the World Bank. The

[161] Jara, Xavier. "Unemployment insurance and income protection in Ecuador," WIDER Working Paper, No. 2018/151, ISBN 978-92-9256-593-0, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki, (2018). https://doi.org/10.35188/UNU-WIDER/2018/593-0

[162] Galasso, Emanuela, and Ravallion, Martin. "Social Protection in a Crisis: Argentina's Plan Jefas Y Jefes." *The World Bank Economic Review 18*, no. 3 (2004): 367.

"loan and counterpart funds were used to cover mainly the payments to beneficiaries." A majority of the costs of this JG were covered by the local governments or nongovernmental organizations sponsoring the projects costs for supplies and equipment for the workfare projects. [163]

Essentially, the *Plan Jefes* was created to provide direct income through the provision of jobs for families with children and or dependents, as most heads of households were faced with the task to provide despite having just recently lost their main source of income in the 2001 financial collapse. The goal of this program was to restore public morale while simultaneously improving public infrastructure; a large focus of the paper was aimed towards the improvement of sanitation, roads and schools by guaranteeing employment to any heads of households. The program reached 2 million households by 2003 and, despite its limitations in dealing with structural poverty and a narrow focus on "formal" jobs, the program compensated for the drop in aggregate demand and postponed the immediate crisis that would have resulted from the hyperinflation and corruption that rampaged Argentina under President Menem and Rua.

Some examples of the jobs offered to beneficiaries by the PJJ reported by Argentina's *Ministry of Work and Social Security* are as follows: repair of bibliographic and educational material, health promotion services, recreational and cultural activities with children and adolescents, construction, repair, expansion, maintenance of educational (sports, health) infrastructure, recovery of railway lines and transport elements, stream cleaning, preservation and recovery of the environment eradication of garbage dumps, support and promotion of

[163] Llapa, Aracely. "Argentina: Plan Jefas y Jefes de Hogar Desocupados" *Bard College, (April 20, 2021)*

touristic sights, and lastly construction, repair, expansion of rural and urban homes.[164] The activities and projects carried out by the PJJ program demonstrated that there was a special attention to a set of social needs and problems of great magnitude. The plan aimed to improve and benefit local and regional life from a governmental and non-governmental scope. Still, the Jefes program unfortunately did not promote a redistribution of income, rather, it was simply focused on abiding by the assistance policy of direct income transfer. The mechanism used to carry out this alleged "redistribution" is to allocate items assigned to social programs, from canceling the execution of current employment programs, in addition to allocating new budget items. This has not produced any redistribution of income. In turn, a policy that sought to modify the growing regressivity in income distribution should include a comprehensive review of the system tax. This can be taken into consideration when brainstorming the direction in which Ecuador's JG program should take.

There are conflicting accounts from scholars who propose that Argentina has set an example of a successful direct job creation program versus those who claim the *Plan de Jefas y Jefes* did not do enough to combat poverty, unemployment, or improve income distribution. There is criticism in particular in regards to the question of federal spending and limitations to entry as well as the widening of income gaps. Nonetheless, it is undeniable that the limitation of the program can not minimize the successes it had for the Argentinian people. The *PJJHD* combated the belief that "economically inactive" women had to stay home instead of working and instead demonstrated to men and policymakers that they too possess the ability and desire to

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[164] Ministerio de Trabajo, Empleo y Seguridad Social. "PROGRAMA JEFES DE HOGAR" (2002, June 10) http://servicios.infoleg.gob.ar/infolegInternet/anexos/75000-79999/75049/texact.htm#:~:text=El%20Programa%20JEFAS%20Y%20JEFES,de%20los%20hijos%20y%20el.

contribute back to their communities.[165] The program's end was precipitated due to political officials' multiple attempts to move women from the program into welfare, in an attempt to avoid their transition to the private sector. Still, resiliently many women continued "to work in their jobs without pay because they found substantial benefits in the social networks they had created through work."[166] The PJJ essentially promoted a "feminization" of the labor force—something extremely revolutionary in Latin America. Furthermore, the requirements for eligibility allowed for increased vaccinations for the vulnerable, meant to guarantee the education and health of children for generations to come. Economic instability in Argentina, or any developing country, can not be single handedly solved by one social program, as countries like this have long faced malpolitics and economic corruption, however *Plan Jefas y Jefes de Hogar Desocupados* proved vital to save thousands of households from demise in their time of need, and set a lifeline of direct income and direct employment that assured local, regional and national well being in time of crises and post-crisis.

Buen Vivir requires Buen Trabajo: Job Guarantee Policy Proposal for Ecuador

Given the observations analyzed in the previous sections concerning existing CCT programs, like the BDH, as well analyzing neighboring successful JG programs and the ways in which an economy was carried through its most difficult times, this chapter concludes that there can be an addition of new employment opportunities that can manifest in the form of a JG for Ecuador as well. This section consists of a brief analysis of the demographic of Ecuador's

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[165] Smith, Yves. "Randy Wray: The Job Guarantee and Real World Experience." *Naked Capitalism*, (April 24, 2012).
https://www.nakedcapitalism.com/2012/04/randy-wray-the-job-guarantee-and-real-world-experience.html
[166] Ibid.

population, in particular I believe this will help to properly design a JG for all, especially when it comes to determining who or where the program is established in terms of accessibility and need, catered to the program's potential beneficiaries. Ultimately for the sake of this paper I also offer a brief overview of existing labor conditions demonstrating the need for a JG and I provide recommendations over the possible rollout of a JG through assessing this very data and a proposed plan for better jobs created by Juan Fernando Velasco. The essence of this proposal is that the introduction of a JG would exist alongside existing CCT and pension programs as it isn't the obligation of those who already benefit from CCT Programs like the BDH to be obligated to partake in a job program, the essence of the creation of a job program built upon pre-existing social programs is that a JG would be readily available for those that wish for the opportunity to transition into the workforce.

According to census research, as of 2018, an overwhelming majority of Ecuador's citizens, 72% to be exact, identify as mestizo. This means that a majority of Ecuadorians are of both Indigenous and Spanish heritage. Those who regard themselves as entirely Indigenous (Montubio, African Ecuadorians, or Native South American) come in at seven percent, while White Ecuadorians follow close behind at six percent.[167] The exact distribution of ethnic groups can be seen in Figure 13.

[167] Ibid.

Rank	Ethnic Group	Share of Population
1	Mestizo	72%
2	Montubio	7%
3	African Ecuadorian	7%
4	Native South American	7%
5	White Ecuadorian	6%
	Other Ethnicities	1%

Figure 13: *Ethnic Groups of Ecuador.* Source: WorldAtlas[168]

Despite Afro-Ecuadorians making up seven percent of Ecuador's population, they still happen to form 40% of Ecuador's population that is living in poverty. Meanwhile, Indigenous people face an ethnic wage gap of a staggering 44.9%. Activists all over ecuador have welcomed policy initiatives to combat the intolerance and xenophobia in Ecuadors labor market, still the lack thereof protections set in place have allowed for vulnerable conditions that subject struggling Ecuadorians to further economic inequality and intergenerational poverty—a crucial point of recognition in the establishment of a JG.

In terms of locality and accessibility a JG is meant to act as a country wide implemented program that guarantees work to all however given that a country like Ecuador has municipalities and very distinct and unique local rural communities, a JG can begin to transpire in a sort of rollout method. Below Figure 14 lists the largest cities in Ecuador given the reports of a 2010 census. I recommend that it would be useful to begin to organize projects and labor opportunities in smaller cities, like Ambato, Loja, Portoviejo, and Manta. This I insist would serve to mitigate the early onset budget constraints that can occur given the removal of conditionality and shortage of readily available jobs that should be created and designed by the

[168] Sawe, B., Ecuador, E. "Ethnic Groups Of Ecuador." *WorldAtlas*, (2022), https://www.worldatlas.com/articles/ethnic-groups-of-ecuador.html.

people of the communities in terms of the improvement of biodiversity, sustainable health practices, and betterment of infrastructure.

Rank	Biggest Cities in Ecuador	Population in 2010 Census
1	Guayaquil	2,278,691
2	Quito	1,607,734
3	Cuenca	329,928
4	Santo Domingo	270,875
5	Machala	231,260
6	Duran	230,839
7	Manta	217,553
8	Portoviejo	206,682
9	Loja	170,280
10	Ambato	165,185

Figure 14: *Biggest Cities in Ecuador by Population in 2010 Census* Source: WorldAtlas[169]

It is important to also recognize that in the current day there has been a significant increase in the urbanization of Ecuador's population, this is pictured below in Figure 15 . It is said that "When properly planned and managed, urbanization can reduce poverty and inequality by improving employment opportunities and quality of life, including through better education and health"[170] However, although urbanization can expand opportunities for those that have

[169] Chepkemoi, Joyce. "Biggest Cities in Ecuador." WorldAtlas. WorldAtlas, (April 25, 2017), https://www.worldatlas.com/articles/biggest-cities-in-ecuador.html.
[170]"Social Inclusion Integral to Sustainable Urbanization | UN Desa Department of Economic and Social Affairs." United Nations. United Nations. Accessed May 4, 2022. https://www.un.org/development/desa/en/news/sustainable/open-working-group7.html.

managed to expand outside of rural areas, urbanization can similarly create very large divides amongst populations and class. [171] This although indirectly illustrates the need to provide a steady and unconditional stream of opportunities derived from a JG for all, especially with the current existing competitive market for skilled and unskilled labor.

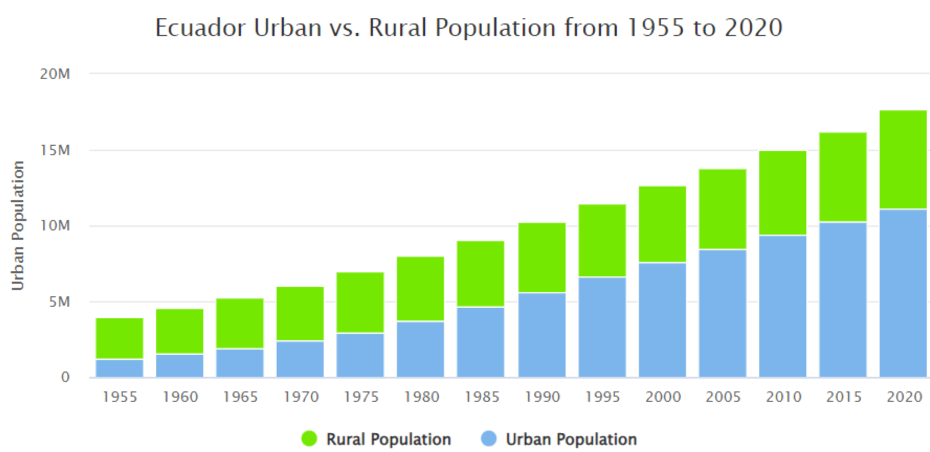

Figure 15: *Ecuador Urban vs Rural Population from 1955 to 2020*
Source: Worldometer[172]

Below are graphs that illustrate Ecuador's employment, unemployment rate. I have also provided a graph that illustrates a comparison of Ecuador and Argentinas labor force participation rate. The reason being is I wanted to demonstrate just how urgent and necessary the situation in terms of employment is in Ecuador. It is astonishing exactly how much higher the

[171]" Urbanization: Expanding Opportunities, but Deeper Divides | Naciones Unidas." United Nations. United Nations, February 21, 2020. https://www.un.org/es/desa/urbanization-expanding-opportunities-deeper-divides.
[172] "Ecuador Demographics." Worldometer. Accessed March 4, 2022. https://www.worldometers.info/demographics/ecuador-demographics/.

rates of labor force participation of Ecuador is in comparison to Argentina. One can argue that this is because there may be higher levels of informality and unreported data that can skew results; however I take this as an indicator that there is almost a multiplier or exponential and generational effect that a direct job guarantee can have on the population. This can be due to the increased prevalence of better healthcare accessibility, higher education attainment, or simply slight increases in human capital within the population in need.

Figure 16: *Ecuador Employment Rate*[173]

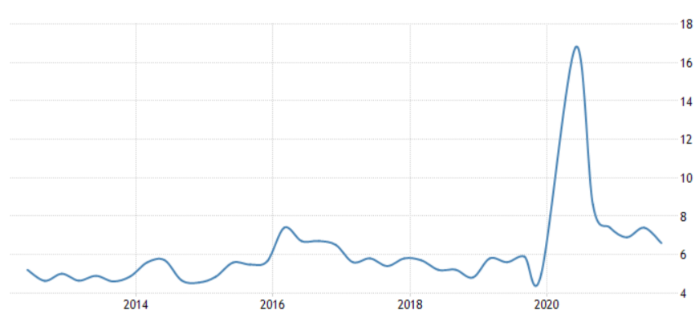

Figure 17: *Ecuador Unemployment Rate from 2012-2022*[174]

[173] "Ecuador Labor Force Participation 2022 Data - 2023 Forecast." Ecuador Labor Force Participation Rate - 2022 Data - 2023 Forecast. Accessed April 4, 2022. https://tradingeconomics.com/ecuador/labor-force-participation-rate.
[174] Ibid.

Figure 18: *Ecuador and Argentina's Labor Force Participation Rate from 2007-2022*[175]

In an existing proposal called "Plan de Trabajo 2021-2025" by Juan Fernando Velasco, president of Ecuador's Ministry of Culture and Heritage, Velazco details that there are five goals that should be honored when implementing programs that work towards the implementation of decent work. Proposals for work he says, should honor democracy, preserve ethics, be transparent, encourage equality, and inspire solidarity. Inspired by the suggestions made by Velasco and Argentina's PJJ, I detail below 10 preliminary jobs that can be offered by the Ecuadorian government if a JG modeled after the Andean ideology of *Buen Vivir* [Good life] to create *Buen Trabajo* [Good Work].

1. The preservation and restoration of biodiversity. This can be carried out through various projects, for instance the reduction of water pollution can provide jobs to those willing to clean streams, picking up trash, and serve to help instill the preservation of wildlife, foliage, and the ecosystem as a whole.
2. The encouragement and elevation of educational attainment and materials. This can range from assigning tasks as simple as bibliographical repairs, restoration of supplies and other materials (similar to PJJ). Or it can also range to the fixing of actual infrastructure and even the construction of new schools.
3. The promotion of health services and treatment seeking. This can manifest in a multitude of ways ranging from: trained receptionist detailing and accounting for new patients. It can take form as an advertiser and communications team that can

[175] Ibid.

ensure that the public has knowledge and the opportunity to receive care. This like the previous recommendation can also serve in the improvement of infrastructure of health clinics.

4. The recovery and improvement of existing infrastructure such as railways, highways, bridges, playgrounds, public monuments, etc.
5. Housing projects. This is a very important and ambitious proposition however this can provide a multitude of benefits for those gaining experience in construction and engineering as well as curtail problems like homlessness.
6. Recreational and cultural activities with children and adolescents. The simple provision of childcare can bring many benefits and opportunities for those participating in the program as well as those relying on the program.
7. There can also be support and promotion of touristic sights. This could bring in revenue and uplift the standard of living and commerce in rural and urban areas.
8. Technological advancement and training. This, like many of the recommendations listed, serves for both the public receiving classes/ training or instruction and the worker who receives training and builds skills in tech. This can take place in terms of the construction of new technology, preservation of existing tech and or the innovation of more ambitious projects.
9. Transportation improvement in Ecuador could look different depending on the particular city or municipality being observed but simply put this would add a layer of improved safety and security in terms of the secure and (prospectively) increased availability of modes of transportation in urban and rural areas.
10. The vocation and goal to maintain a certain level of food security serves to help those less fortunate and subject to unreliable sources for nutrition. This can be carried out through the demand for delivery workers, cooks, and distributors. This although straightforward can have exponential effects in terms of the improvement of health conditions and mental well-being of all Ecuadorians.

Conclusion

When I initially began this thesis, I was interested in highlighting how the Buen Vivir Andean ideology Ecuador insisted on upholding following its implementation in the 2008 constitution had influenced the creation of new social policy. However, once I began to research former Ecuadorian President Rafael Correa's progressive reform plan and his promise that it would successfully mend the lesions left behind by neoliberalism, I decided to take a distinct approach. The direction Ecuador's economy followed after undergoing the onset of the Great Depression, the 1999 Financial Banking Crisis, and the drastic transition to full dollarization were crucial to me in understanding the foundation and profound instability that permeates Ecuador's political and economic fabric today. Although this paper did not manage to provide a holistic overview of Buen Vivir, it does provide a historical context of the situation that warranted its introduction while simultaneously seeking to assess what is missing in terms of public policy to truly achieve the 'good life.' Throughout this project, the question I set out to answer was: How can Ecuador's economy mend the rise in inequality resulting from years of crisis, a complete dollarization transition, and persistent policy issues?

The first chapter of this project provided context needed to understand the historical background of Ecuador's tumulus economy. The second chapter analyzes the macroeconomic state Ecuador found itself experiencing in the years during and after Rafael Correa's presidential term. I find that, as in any other country, despite seemingly significant statistics demonstrating positive GDP growth, the existence of persistent inequality and the continued disregard for the wellbeing of all Ecuadorians continued. Throughout the last two chapters of this project, I intended to delve beyond statistics and analyze marginalized people's actual conditions. This, although seemingly straightforward, was not an easy task to take on, given the limitations regarding the data that openly exists for Ecuador. Furthermore, the information that was accessible to me still left out a majority of Indigenous and uncounted populations. Nonetheless, I argued that by looking at existing government programs meant to tackle inequality and poverty for marginalized people, developing a new policy proposal that targets issues of extreme poverty, high informality, and unemployment is possible.

It is undeniable that Ecuador faces constraints regarding its loss of monetary sovereignty. However, we cannot ignore the fact that other developing countries worldwide have gone beyond these constraints for the greater good of their people—with even Ecuador's CCT program, *Bono de Desarollo Humano*, having demonstrated that it is possible to go beyond monetary and political constraints. Argentina, a neighboring country of Ecuador—although not the focus of this project—has also provided an expansion of research and guidance for other countries in Latin America that have experienced similar episodes of crisis, rely on foreign export and production, and are faced with a curse of resource exploitation and infrastructure underdevelopment. Argentina successfully demonstrates that, despite currency pegs and or partial dollarization, the initiation of JG programs have the potential to evolve the human capital and stimulate economic and revolutionary growth. The right to employment has been accepted at face value. I insist, however, that more is to be done in Ecuador for the marginalized population and more so for the rural people in terms of vocational training, education attainment, child development, and more to genuinely combat the generational cycle of suffering.

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