

CEPAL

REVIEW

NUMBER 62
AUGUST 1997
SANTIAGO, CHILE

OSCAR ALTIMIR
Director of the Review

EUGENIO LAHERA
Technical Secretary



UNITED NATIONS

CONTENTS

The State, the community and society in social development	7
<i>Fernando Henrique Cardoso</i>	
<hr/>	
Neo-liberal structural reforms in Latin America: the current situation	15
<i>Joseph Ramos</i>	
<hr/>	
Indebtedness and fiscal stability: is history repeating itself?	41
<i>Guillermo E. Perry</i>	
<hr/>	
Reforms in the oil industry: the available options	51
<i>Fernando Sánchez Albavera</i>	
<hr/>	
Indigenous organizations: rising actors in Latin America	63
<i>Rodolfo Stavenhagen</i>	
<hr/>	
Non-agricultural rural employment in Central America	77
<i>Jürgen Weller</i>	
<hr/>	
Marginality and social integration in Uruguay	93
<i>Ruben Kaztman</i>	
<hr/>	
Trade policy within the context of the World Trade Organization	121
<i>Diana Tussie</i>	
<hr/>	
Trade and environment: green light or red light?	139
<i>Helga Hoffmann</i>	
<hr/>	
Nominal anchors and macroeconomic coordination options in MERCOSUR	153
<i>Gonzalo Rodríguez Prada</i>	
<hr/>	
Export promotion policies in Central America	173
<i>Larry Willmore</i>	
<hr/>	
Recent ECLAC publications	188

The State, the community *and society in* social development

Fernando Henrique Cardoso

*President of the Federative
Republic of Brazil.*

The World Summit for Social Development, held in Copenhagen on 11 and 12 March 1995, brought up once more the ideals which gave rise to the United Nations at the San Francisco Conference and which have since been reasserted in many forums of the Organization. The maintenance of peace and security, although an irreplaceable element in the peaceful coexistence of nations, was not the only objective of that Conference, however: it also sought to lay the foundations for a form of coexistence which would make possible more harmonious development. The United Nations Charter which emerged from that meeting was the clear expression of a humanistic spirit and of the quest for democratic ideals and values which made human beings the centre of governments' concern.

At Copenhagen, it became clear that social problems and the quest for a form of development which respects the environment, has democratic bases, and leads to greater equity are not the exclusive concern of the under-developed or developing countries, but also of many developed nations. Perhaps there is a renewed

awareness that this is not just a question of a duality, as was claimed in the past, but of something inherent in the very heart of the development styles of present-day societies.

Consequently, it is once again important to give continuity to the drive for reflection and action generated at Copenhagen, and in view of its great experience in Latin America and the Caribbean, ECLAC is amply endowed to help the countries of the region to reflect on these issues with renewed creativity.

Although many of the efforts made in the region have been frustrated, sharing our experiences can help us to redirect our development policies in a direction consonant with our ideals, which continue—and should continue—to be those proclaimed ever since 1945: ideals seeking a more equitable form of development, inspired in democratic and humanistic values.

The ten commitments assumed at Copenhagen came at a timely but complex moment.

It was timely, because after a long period in which we had almost unconsciously come to think of development solely in terms of economic development or development of the market forces, the Copenhagen Summit reminded us once again of the links between the economic and social dimensions.

It would be almost pathetic to think that, at the very moment when the Berlin Wall had fallen and the efforts to construct "real Socialism" were suffering the

□ Translation of the revised text of President Cardoso's address at the First Regional Follow-up Conference on the World Social Development Summit Meeting (São Paulo, 6-9 April 1997).

outcome we have all witnessed, we should all begin to place our hopes in a kind of unbridled economic approach and to believe that the market was the road to the salvation of mankind.

Copenhagen showed us once again that we must return to our examination of such questions as the eradication of poverty, full employment, social integration and respect for human dignity, as well as the need to put an end to the economic illusion and acknowledge once again that in a social and historical process values are of fundamental importance.

When I say that values are of fundamental importance, I am not suggesting that we should replace the economic illusion with simplistic idealism, imagining that values are all we need. Obviously, this is not so. Values are not enough on their own, even with the best of intentions. In reality, a stable economic base and a stable currency are essential conditions for development.

Consequently, it is not a question of changing one simplistic approach for another—equally simplistic, but diametrically opposed—which claims that organized political will can take the place of the material conditions of production or the limitations imposed by the physical base and the form of organization of production.

Subject to this reservation, however, there can be no doubt that the time has come to concern ourselves once again with issues which, it may be noted, have always been major issues for ECLAC and for those whose conception of development was one which offers greater well-being to the vast majority of the population.

Although the time may be ripe, however, it is nevertheless a complex matter to put forward once again, in the most determined manner, the question of the best type of development and the challenge of attaining equality: i.e., the challenge of tackling social issues. This is because this question reflects a sort of paradox.

Just as it would be paradoxical to replace a socialist model—although severely distorted—with a purely market-based idea, so also it would be paradoxical that, precisely when we are beginning to talk about social issues once again, we should have to ask the State to apply a set of policies and take a series of measures when in some respects the State is neither effective nor efficient.

When I say, however, that we are demanding more from the State—because political will is organ-

ized and it is through public policies that the imbalances created by the market can be corrected to some extent—at a time when the State is suffering from limitations, what I really mean is that I do not wish to resign myself to the continued existence of the limitations which prevent it from acting effectively.

It is quite true that the State has limitations. To begin with—and I am not saying anything new when I make this assertion—we can see for ourselves that the regulatory capacity of the State has been greatly reduced. In order to show this, we need only refer to capital flows, which are now a source of concern even for those who normally sleep very soundly, i.e., the Presidents of Central Banks. Even they are now concerned, because they are unable to control these capital flows. This challenge can no longer be tackled from the exclusive sphere of competence of the State machinery.

It is not just a question of international capital flows, however: the world system of production has also been completely reorganized in such a way that production is now interlinked at the global level, which also helps to reduce the capacity of States to meet some of the challenges they have to face.

There are not many alternatives to this interdependence. This revolution—not only technological but also organizational—represents a further challenge to those who consider that we need a set of public policies which will ensure a better balance in the development process.

This means that the population expect from the organized political will of the State and from society a set of measures which are however limited by the realities of the current situation, which reduce the State's capacity for action in areas which were considered in the past to be inherent in the notion of a sovereign nation-State.

The foregoing is not designed to over-emphasize the paradoxical aspects or give rise to a feeling of perplexity: a psychological reaction which serves no theoretical nor practical purpose. The real aim is to seek mechanisms which will make it possible to reform public structures so that they can meet the challenge faced.

Social justice and social development will be impossible if we resign ourselves to the weakening of the State, both for the above-mentioned reasons and because of the incapacity, in many cases due to bureaucratic causes, to take decisions to cope with the increase in social demands so closely associated with democratization.

Democratization and an increase in social demands make themselves felt most rapidly and strongly precisely in those countries which have opened up to democracy but suffer from the greatest inequalities, so that the State is under pressure from both external and internal forces.

A major challenge is therefore to reconstruct the way political action is organized and, above all, to redefine the organs responsible for public policies. In this redefinition, it is necessary to decide what to do and what not to do. This is the present situation: it is necessary to define what the government should do, what it can do, and the best way to reshape the government machinery so that it can take effective action.

This issue needs to be given strong emphasis in order to enable the State to recover the strength it needs to channel the desires of society and meet the aspirations for social welfare. In other words, it is necessary to "de-privatize" the State.

Paradoxically, many of the forces which could help this de-privatization absolutely worship the State in its present form—ignoring the fact that it is a product of the previous phase, when there were close links between private sectors and the State—and impede the changes which could make the State more democratic and turn it into an effective instrument for spreading social welfare and giving members of the population greater access to all that they need for their social integration.

In Latin America, there has never been a "Welfare State". On the contrary, what has prevailed has been what we might call an "Ill-fare State": omnipresent, but tainted by private interests (whether good or bad) and also paralyzed by the corporative forces arising within it, by bureaucracy. Because of the perverse tendencies displayed by both of them, the State and society at large often coincide in the generation of corruption.

The State must therefore be the subject of courageous and far-reaching reforms if it is to be transformed democratically into a State capable of heeding the aspirations both of the marginalized and excluded sectors and of the sectors which, although integrated into society, demand a fairer form of income distribution.

Consequently, in our region there is no point in analysing the question of the crisis of the Welfare State, because we never managed to attain such a State. What has occurred here is a crisis in the "Ill-fare State". In reconstructing it, however, we must avoid the errors which led to the crisis in the Welfare State elsewhere, when, due to a variety of circumstances, it ceased to provide the welfare it promised.

By taking advantage of past experience, we could devise reforms of the State and forms of State action which would make it possible to overcome the paradox mentioned earlier. We should abandon the illusion that the market will automatically bring equity; what we want is more and more equality, not through the perpetuation of a privatized "Ill-fare State" but through a reform of the State apparatus which can transform it into an instrument of social progress.

This involves the renewed consideration of issues which were always important but are now assuming more vital significance every day. I am not referring solely to reform of the State. Education has become an essential element in the entire process, because in view of all the changes which have taken place in the system of production and all the challenges we will have to face, either citizens will be equipped to adapt to these requirements in constantly improved conditions, or else it will be sheer hypocrisy to talk about social inclusion, for there can be no social inclusion for those who are not properly prepared for these challenges.

Education will have a much broader meaning, for it will not be limited to literacy education or even formal training, but will involve the effective incorporation into the daily life of all citizens of techniques which will enable them to keep themselves informed and take decisions, because without information it is not possible to make rational choices and it is easy to be a victim of manipulation. Capacity for adaptation is necessary even for finding an occupation, to say nothing of a decent job.

As we all know, the present process of globalization may severely aggravate social exclusion. I am not saying, of course, that we should reject this process, because there is no other option. What alternative could there be? Autarky? Where? How? Production is increasingly dispersed, competitive, and dependent on technology, most of which is not in the hands of a single sector. There is no alternative to globalization, and this is an undeniable fact. What we should do, then, is to see what can be done, in the circumstances, to make sure that exclusion does not limit the possibility that the issues which concern us will leave the theoretical sphere and become concrete means of change.

Of course, education is not the only means of facing this challenge. Competitiveness is an essential requirement for inclusion, and it is yet another rule from which we cannot escape. All this has very well known consequences with regard to the supply of jobs. Indeed, we will have to change the very concept of employment.

Looking at the changes which have taken place in the employment structure and the effects they have had on employment in Europe, the United States and Japan, we can clearly see that globalization does not automatically translate into a given rate of unemployment. This rate varies, depending on public sector intervention, social conditions, the institutional and legal rules governing labour relations, and on the cultural and value-based capacity to understand that in a society like that which is taking shape, mobility –including geographical mobility– becomes a requisite for adaptation. There will be a rapid shift of production sectors from one region to another, like that which is taking place in Brazil, as for example in the case of São Paulo, and this will assuredly benefit the Northeast of the country. It will not benefit the worker who loses his job in a given place, however, unless we are capable of creating new jobs in that same place, shifting workers from the secondary to the tertiary sector or, as in the United States, giving workers great geographical mobility which enables them to seek work elsewhere. Such mobility is the antithesis of our existing values, which give preference to stability in the broad sense, opposing the displacement of workers and their families from one place to another.

All this calls for a new cultural outlook. This is why I have placed special stress on education, which is an instrument of socialization, of new values, of challenges and of preparation and motivation for facing up to these challenges.

We cannot keep on presenting the situation in terms of a disjunctive: first the economy, and then social matters. Nor can we assert that social issues are what really matters, because human beings are above all else, and neither can we put forward an indiscriminate combination of both approaches, for that would have no sense. Instead, we must give attention to economic and social matters at one and the same time, although it is also necessary to clarify exactly what “at the same time” means, for sometimes issues do not all arise simultaneously: sometimes priority attention must be given to social aspects, and sometimes to economic considerations.

Nor must we take a static view of the situation. Sometimes social aspects come first because in certain circumstances the driving force behind the process of change is education and values. In other circumstances, however, the driving force is provided by technological development which comes from abroad

and is the result of foreign education and values which nevertheless influence our region.

We must therefore take an almost kaleidoscopic view: we must not let ourselves be guided by fixed rules on orders of precedence and we must seek at all times to establish links between the two aspects. If a process takes place on the economic level, then we must identify its links with the social sphere. If it takes place on the social level, then it must be linked up with the economic sphere: otherwise it will not have a solid basis or continuity.

Consequently, we must place limits on over-mechanical reasoning in terms of the establishment of disjunctives and must accept the challenge of thinking instead in terms of the actual situations.

With special reference to the case of Brazil, I would say that the efforts we have made to stabilize the economy and consolidate and strengthen democracy, as well as our deep interest in social development, are in line with the foregoing considerations. They are inspired by them, even if the desired results are not always achieved.

It goes without saying that when we formulated the stabilization plan known as the “Plano Real” we rejected recession as a means of stabilization. Indeed, from 1993 through 1997 the Brazilian economy will have grown by 25%, if growth in 1997 amounts to 4% or 5%. In an economy which now amounts to some 700 billion reals, 25% is a high growth rate to have been achieved over the same period as the application of the stabilization plan.

Since the Plano Real began to be applied in 1993, average remuneration has risen by 42%, although not uniformly in all sectors. In fact, it rose more in the informal sector than in the formal one, and it even rose more in the case of own-account workers than in the other categories. Although there have been some shortcomings, the truth is that it has been possible –at least so far– to reconcile stabilization of the currency with economic growth and improved income distribution.

For the first time, the statistics on income distribution –in which, as you know, it is by no means easy to secure changes– have shown signs that although those who earn most will continue to earn still more, the growth in their income will be smaller than in the case of the lowest-income sectors, although the latter will continue to be relatively poor. Thus, there are now signs of a change in functional income distribution,

which is very important and must be maintained, even though this will not be easy.

The statistics also show that, in the six biggest metropolitan areas, 13 million Brazilians managed to rise above the poverty line between 1993 and 1995: a good example of the social effects that an economic development plan can have. Without adhering to any fixed idea about what should come first and what should come after, it proved possible to make a significant effort in this direction, within the prevailing limitations.

With regard to employment, I cannot present such a uniformly positive picture, because global processes of change usually present economies with considerable challenges, and unemployment rates rise at certain times and in certain regions. If we use the indicator which allows us to make international comparisons—that of the Brazilian Geographical and Statistical Institute (IBGE)—we see that the rate of unemployment in Brazil was between 5% and 5.5% in the years in question. Using other types of indicators, the figures may be slightly higher. All the indicators coincide with regard to the upward or downward trend, however, although the actual levels depend on the way the questions are phrased (if the worker has been looking for work for a week, a month or three months; his age; etc.). Using the same technique consistently, however, what matters are the fluctuations observed, and the fact is that since the Plano Real began to be applied the fluctuations have been very slight, whatever the methodology used.

There has been a recovery which, although quite marked, does not give grounds for claiming that the unemployed will be fully absorbed. The continuity of the process cannot be guaranteed unless the reform of the State is further consolidated: a very thorny problem which gives rise to strong opposition, for different reasons, from both the Left and the Right.

Reform of the State adversely affects certain individual interests, and this naturally gives rise to opposition. We must therefore keep on striving to advance in this process. This reform does not only mean a struggle against the corporativism of public officials, however: it involves much more than this.

Above all, it means reforming the mechanisms linking the State and the members of society at large in the social areas. There are many concrete examples of this. Thus, the Ministry of Education, which has taken many measures for this purpose, has arranged among other things that part of the resources destined for

schools should be provided to them directly, without passing through other levels which are political in some cases and bureaucratic in others. In the area of health, where the biggest obstacle is to find ways of establishing a direct link between the demands of society and the State apparatus, there are also political problems, but these arise at the substantive policy level and not at the intermediate level of the transfer of resources.

Moreover, especially in the case of a federation like Brazil, the State can no longer be of a bureaucratic, unitary nature. There must be decentralization, which is already under way in the education and health sectors and which we hope will become more and more firmly established in the area of agrarian reform, for without this it will be impossible to establish the necessary conditions for the progress of a country the size of Brazil.

Firstly, and perhaps most importantly, there is the financial responsibility of the central government. Secondly, the government must have the capacity to define policies. Thirdly—and this is very important but not very frequent in the region—it must have the capacity to evaluate the effects of the policies by monitoring their results. Fourthly—and this is vitally necessary for exercising this control—it must have suitable links with society, the trade unions, and the opposition parties.

This is what happens at present in education and health. And in housing, for example, nothing is done without first passing through procedures which are not only subordinated to the legitimate political powers but also to a dialogue with society. This dialogue broadens the whole spectrum, and the decision-making process also includes minority sectors or opponents of the central government. The central government never raises obstacles of a party political nature to the distribution of resources, because it recognizes how important it is that resources should be received where they are needed and that there should be clear and open arrangements for controlling their transfer.

Consequently, reforming the State apparatus is not simply a question of “de-privatization” of the State, in the sense of making it independent of the private interests which have installed themselves in it. Nor does it simply mean changing bureaucratic relations. It is not just a question of the State’s withdrawal from certain areas of economic activity where there are capital resources in order to concentrate on others, but of making fundamental changes in the ethos of public

administration without which there can be no question of development with greater equity, because the market forces alone are incapable of generating such equity. The system of government must be open and democratic, and it must make the opposition sectors participate, whether they like it or not, in the decision-making process (I mean, of course, decisions on the distribution of resources, not on the general lines of the process, which are decided by the majority in a democratic system). This calls for extensive changes: the "de-privatization" of the State, its de-bureaucratization and its decentralization are essential conditions for progress.

Naturally, there are some situations in our countries—especially in Brazil, which is so huge and so full of inequalities—which call for more energetic measures. One of these situations concerns access to land. Traditionally, because of its economic and historical evolution, Brazil has been a country of latifundia. The latifundia have survived tenaciously, and even after big changes in the agricultural sector they still exist today, side by side with the entrepreneurial production sector, and remain a major presence in Brazilian life.

Meanwhile, however, broad sectors of the population are living in poverty: there is great rural and urban poverty, and a growing combination of the two. Increasingly, asking for land is an indirect, symbolic way of demanding greater equity. Although we can and must recognize the existence of this process, however, we have not given really serious, profound thought to the consequences of giving access to land or to the possibilities, costs and nature of the agrarian reform process we could carry out.

With regard to the rate of settlement of families on the land, the average in Brazil in the past was ludicrously low: ten thousand families per year. Under the present government, a little over a hundred thousand families have been settled in two years, and this year it is planned to settle another eighty thousand. Compared with what is needed, this is nothing, but compared with what was done in the past it is quite a lot, and compared with the resources available it is a great achievement. Each operation of settling a family on the land costs 25,000 reales just for a start, and what has happened in Brazil is that the families are not "emancipated" as soon as they are settled, but continue to receive State aid, so that the outflow of resources continues, and this must be taken into account.

Society must decide if it wants, or if it is able, to carry on with this process. If it decides to continue,

then it must provide the means—by paying taxes—for turning that decision into reality. In order to settle a million families on the land, we would need 25 billion reales just for a start.

After the settlement operation, attention has to be given to the family production unit. A recently established programme—PRONAF—has allocated some US\$ 600 million to the provision of support for small family units.

In Brazil, the resources are in fact available in many cases. There is political will at the top, but we lack the necessary machinery to ensure that those resources flow properly and reach those who need them. The State institutions—those of an "Ill-fare State" designed to suit the interests of big business, the big corporations, contractors and banks—have no channels for reaching the public. A new situation is now starting to take shape in which, thanks to stability and the resumption of growth, we are beginning to have more resources at our disposal, but we lack the means to use them properly by giving priority to the poorest sectors of the population.

The problem is both one of management and of political aspects, because in many cases proper management is impeded by clientage and local interests. Often, there are even problems in the bureaucratic structures themselves which prevent the smooth flow of the resources, for political reasons, through incompetence, or because of ideological differences.

Without reform of the State there can be no proper social policy, and without greater coordination and close contact with society, social policy will simply wither away in the throats of those who call for action and the pens of those who grant resources but know that they will have little practical effect because there is not sufficient social capacity to put the decisions into effect.

This issue is intimately related with that of equity, which is of fundamental importance, like the question of access to land. There are many unanswered questions, and there are a great many people who proffer answers or suggest solutions with the greatest abandon. When we really start to think about the problem in depth, however, it becomes clear that what is needed is to work together, for nothing is solved merely with goodwill gestures or protests, and that the finances must be reorganized so that the State can work better and interact with society at large.

Another issue related with equity that I would like to emphasize—in the spirit of Copenhagen, taking a

non-economistic view of the changes needed— is that of human rights, which is of fundamental importance in a country like Brazil, where we are setting up the National Human Rights Department, because concern for human rights cannot be limited to gestures of goodwill by the government or by those who feel concern with this issue. There must be a process of reeducation covering the whole scale of values, as well as continuity of action and unremitting insistence on this issue.

In exclusive societies like ours, which have become accustomed to such glaring inequality, violence is a natural sub-product. It soon ceases to be a product of poverty and becomes deeply rooted in the form of a kind of toleration of the intolerable, an acceptance of reprehensible practices against which it is the duty of governments to protest. But to protest against what, and against whom? There are clear culprits: all of us. This is a broad-ranging process which demands continuity of action.

In order for the process of reeducation to have the necessary continuity, we need a kind of beacon to light the way, to serve as the conscience of the country and constantly point out errors, even knowing that in many cases these errors cannot be corrected at a given moment, and knowing that although there are culprits it is not enough to blame them, for we must go much further: we must develop another kind of values, another kind of solidarity.

Those who have studied sociology are familiar with Fernando Tönnies and a classic expression in sociology: the distinction in German between the words *Gemeinschaft* and *Gesellschaft*, community and society. Through the expression *Gemeinschaft*, the supporters of this school of thought referred, almost a century ago, to the direct, face-to-face relations typical of a community, to the possibility of a shared experience: people are united because they

have a shared experience. In a situation of *Gesellschaft*, of society, in contrast, there is a contractual relationship which does not involve the solidarity arising from a shared experience. These two expressions were seen as opposites.

In the world of today, with the changes which have taken place, with the current communications media, with the instantaneous, “real time” nature of the processes that take place, societies are in some respects beginning to have shared experiences: violence, well-being, fear, economic challenges, material achievements. There is now a renewed possibility that this situation may occur in the relations within society.

Our challenge is how to transcend both *Gemeinschaft*, the community, and *Gesellschaft*, society and the relations within society: how to transcend them by combining them, in the specific sense of transcending them in dialectic terms.

We must transcend this opposition between economic and social and political issues, between public and private issues. That is the challenge. A new vision of the world means that we must seek a concept that will enable us to restructure our whole way of thinking, leaving aside that opposition between community and society which fascinated everyone so many years ago, and make us feel capable of a form of action in keeping with today’s challenges.

Such action must be based on a great advance in the field of technology which can be present in all areas. But this action can only be carried out, and the distinction between society and community can only be transcended, if we return to the question of ethics and values, not viewing it as something threatening or as an empty moral discourse, but as an effective means of motivating action to promote change.

(Original: Portuguese)