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Review

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- A blank space in a table means that the item in question is not applicable.
- A minus sign (-) indicates a deficit or decrease, unless otherwise specified.
- A point (.) is used to indicate decimals.
- A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.
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Review

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Economics and happiness

*Maria Conceição Tavares**

This article was originally conceived as an argument against the illusions of the ultra-liberal Anglo-Saxon school, which always preaches, with its Victorian morality, that the right way to achieve happiness is via austerity and the free market. Later it became a tribute to Raúl Prebisch, the first Latin American political economist to have a critical view of the dominant economic thinking and to propose a framework for interpreting the "historical situation of the periphery".

However, the objective of this article is not to pick up the clew of Ariadne left behind by Prebisch, but rather to evaluate as concisely as possible –touching on key points of political economy– the chaos in which social thought finds itself today. The ultimate objective is to reach the same questions that Prebisch asked at the end of his life; they need to be asked again concerning this *terra incognita* which Latin America has become after so many failed developmentalist and reformist experiments.

No certainties exist. But there is an almost unanimous intuition that the so-called lost decade of the 1980s was not so lost, at least for those who greatly appreciate the democratic transitions that took place in the continent and believe that only on a basis of the struggle for democracy can progress be sought in the economy and happiness of our peoples.

A partial discussion of these issues, with the same title of "Economics and happiness", was held in a seminar at São Paulo in 1988. The title was kept because, in the author's opinion, Don Raúl would have liked it that way. He fought so hard for the two terms to become compatible.

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Wealth, consumption, labour, progress: these are the main themes of political economy which the human mind associates with the notion of happiness. They can be associated positively or negatively, but here they are, ever since the active and not the contemplative life, the natural and not the divine order, the bourgeois and not the feudal order came to govern human destiny, that is, since the Modern Age.

Political economy, from the classics onwards, was always impregnated with a moral philosophy propounding happiness and freedom as feasible objectives of human society. The classical liberal school searched for "general happiness" or the common good, which was to be achieved through freedom of the market and contracts whereby selfish interests would lead, through competition, to the harmony of the "invisible hand", to the balance of the natural order or to the common interest of the social contract.

Likewise, the critique of political economy, beginning with Marx, propounded that human happiness and freedom could be achieved by overcoming not individual conflicts but the contradictions of capitalist society, which would lead to the metahistory of a classless and stateless society or at least to a society with a State reduced to administering things.

Later, in the twentieth century, it would be dramatically shown that it was human beings and not things that the State (socialist, social or liberal) would have to "administer", always in the name of "true freedom": the recognition of need, the common good or the public good.

Now at the end of the century, when the crisis of the nation States, especially the imperial States, could endanger the very survival of society (good or bad), the individual, rationality, private and general happiness, and freedom of the market are all being seriously discussed again. Is this just a neo-liberal wave? I think not, because the debate crosses the frontiers of scientific disciplines and the borders between political and social systems. Moral philosophy is back in style, even though it is actually warmed-over Victorian philosophy. The flexible organization of work and leisure time is a dominant concern, given the rigidity of the vast urban industrial concentrations and new techniques. The active political participation of common citizens has become desirable again, as opposed to the apathy of the masses.

I

"Introduction to chaos"

Part of the contemporary debate is centred on the uncertainty and lack of transparency of social structures, but also on the crisis of the intellectual and scientific "models" of our transition period. Theoretically speaking, a situation is called a "chaos" when its structural complexity is such that, for different reasons, a systemic vision is impossible. The most important situation of that nature seems to be when it is impossible to integrate micro and macro structural aspects, and this prevents determining systemic trends and presents a good deal of uncertainty about possible courses of action.¹

Thus, unlike many pessimists who, on the basis of apparent "convergences" towards the final victory of a social system or development pattern, speak of the "end of history", whereas history appears to be more open than ever. Since the time when the world was "upside down", in the felicitous words of the English historian Christopher Hill, that is, from the seventeenth century, there has been no other historical period so rich in changes unexpected and unforeseen by scientists of all hues.

Of all the authors I chose to base my reflections on, only one was an economist, Hirschman, a kind of intellectual counterpart of Prebisch in the North, whose thinking enlightened my reflections on development. The rest comprise a heterogeneous group of thinkers who touched on crucial points of the contemporary social condition and who have thrown light, at least for me, on the classical themes of political economy: labour, consumption, technical progress and time (historical and abstract). They are all concerned, implicitly or explicitly, with either individual or collective human happiness. Moreover, their view of the world does not belong to the positivist tradition but rather to the great tradition of Western modernity – "critical reason".

In a heroic attempt to cut a long story short, I shall present what seems to me the essence of the issues raised by those authors, as follows:

The questions: What have the results of progress done for citizen consumers? (Hirschman); What kind of State is the contemporary State? (Habermas); Human Freedom (Arendt and Lash).

The answers: instability; unpredictability; lack of transparency.

The return to Paradise Lost: illuminist reason (Rouanet); socialist reason (Gorbachev); free labour (Gorz); the Iberian matrix (Morse).

And finally – so as not to leave this introduction to *chaos* without some quotation from one of the few winners of the Nobel award for economics who do not put the "corporation" or the "dismal science" to shame – here are the words of Wassily Leontief: "Before being expelled from Paradise, Adam and Eve enjoyed a high standard of living without working. After their expulsion, they had to live miserably, working from morning to night. The history of technical progress over the last two centuries is the history of a tenacious effort to rediscover the road to Paradise. Nevertheless, even if all the riches were to be offered to us without having to work for a wage, we would die of hunger in Paradise, unless we could respond with a new income policy for the new technical situation." This quotation was the best one I could find to illustrate the debate on "economics and happiness" in the developed world.

I am adding this piece of information only for those who see in the accumulation of wealth an important source of (un) happiness: the data available at the end of 1987 indicated that close to US\$8 trillion were in international financial circulation, and were rotating at a frightening speed in the computers of the international private agencies. What Keynes called "casino economics" is no more than a children's game compared with the instability of the so-called market for overnight deposits. For a person who does not know what that means on a world-wide scale and has only a vague and spurious idea of

¹ For the new science of chaos, which began with meteorology and physics, see James Gleick, *CHAOS - Making a New Science*, New York, Viking Press, 1988.

how this fantastic technological invention works, I must add that that idea disproves the major finding concerning the temporality of modern physics, classical economics, history and the human condition, namely, that time is irreversible. For the overnight market, time is reversible; it depends on the time zone in which the speculator finds himself and the network of operators to which he belongs.

I must mention that no one today knows how much the dollar is worth, or what the value is of the aggregate debts or credits of families, enterprises or nation States that have climbed aboard this "financial merry-go-round". One day's losses on the great world exchanges in November 1988 were around US\$1 trillion, and in spite of that, the private financial system did not collapse.

Meanwhile, 20 million unemployed in Europe have to eat and are out of work. No one knows how many of them want to work, but they dream of a united Europe of peoples and capital: an apparent contradiction that would distress André Gorz but leaves people happy and gives a new meaning to the "utopian energies" which preoccupy Habermas.

South of the equator, where there is no sin but where "flying fish" exist, history is different. Here the debate about the future, happiness and economics seems to be a bit "out of place", even in the universities which, after all, should be the place where ideas circulate or are "rejected". And why? Because in the peripheral economies the discussion on the domain of human freedom does not conform to any principle of moral philosophy, when the basic needs of millions of human beings remain unfulfilled. Here then –and may I be pardoned by all my liberal and libertarian friends of all hues who hate the "philosophy of history" –freedom is still a recognition of need, even when the "élites" have every right to their individual freedoms.

Political economy was once a "modern science" *par excellence*; it actually contended with physics for the privilege of inaugurating the Modern Age. After it distanced itself from politics and opted for the rationality of economic calculation, it became a "dismal science" for market self-regulation. I quote this here, because it seems to me more and more true, a paragraph from the thesis I wrote more than 10 years ago in order to become a full professor:² "Modern physicists did not have to see sun bursts in order to formulate their laws of matter and energy. They did not have to split the atom to produce new theories. They have no desire to plug the black holes of the universe with old equations (nor do they treat dissipation with immutable laws).³ Economists saw the growing seriousness of the crises of capitalism; they saw what caused the separation of the "orbits" of production, of the circulation of goods and money; they saw the "sun" burst at least once in their lives, but they carry on, tied to their Newtonian physics".

Faced with the financial and administrative crisis of the nation States in the 1980s, conservative thinkers enthusiastically embraced the watchword of deregulation, while "progressive" thinkers eagerly discussed capitalism's theory of regulation. Until we are told otherwise, it seems better to hand over the care of "human happiness" to the psychologists and professional politicians who, at least, are always inventing new therapies and do not obsessively recommend "abstinence" and work to people who are both starving of hunger and unemployed.

² M.C. Tavares, "Ciclo e crise, O movimento recente de industrialização brasileira", Universidade Federal do Rio de Janeiro (UFRJ), Rio de Janeiro, 1978, mimeo.

³ For the crisis of science, especially physics, see Ilya Prigogine, *A nova aliança*, Brasília, University of Brasília Press.

II

The historical and theoretical dissolution of political economy

The liberal models appear to have been abandoned in the early twentieth century, when the theory and practice of warfare, imperialism and the repeated crises of capitalism prompted the rebellious "élites" of the Western world to cast doubt on the bourgeois order, that same order which had begun so auspiciously with the collapse of the *ancien régime* and the slogans of the French Revolution: freedom, equality and fraternity. The liberal and democratic dream of the United States, the highest expression of the new society, ended in 1888 with the invasion of the Philippines.⁴ From that time on, up to the crisis of the 1930s and the emergence of Nazi fascism, liberal thought did not concern itself with libertarian slogans or the common good, and only after the war would it come to discover that consumption and happiness are equivalent.

Political concerns in the period between the wars revolved around the terms order, discipline and power. The liberals' economic concerns were centred on the end of the gold standard, which threatened the world-wide value of capitalist wealth. The discussion of human happiness was handed over to utopian socialists of every stripe, who obviously emphasize the "value" of free labour and not of consumption.

The dream of the Socialist International came to an end in 1914. The glorious revolution of the masses, doomed for a long time to socialism in a single country, ended by giving rise to an authoritarian State, which administered human beings but not things with a rule of iron. Western Marxism, threatened by fascism, abandoned the critique of political economy and dedicated itself to *Kultur Kritik*, and from then on, to philosophy.

Between the wars, political economy produced two great theoreticians of the capitalist crisis, Keynes and Schumpeter, whose teachings survive to these days. Unfortunately, Keynes' disciples, especially in the United States, are making a *pastiche* of his theory, to the point that neo-classical thought is becoming dominant again.

After the Second World War, the liberal order of imperial capitalism and that of authoritarian socialism became the new ideological banners dividing the

Western world. In the meanwhile a new reality appeared, the welfare State, which owed less to Keynesianism than to the reformers and social-democrats of northern Europe. They reverted to concern for human happiness, this time not just individual but collective happiness. The right to work (full employment) and the right to social consumption (health care, education, social security) are duties, supplied by the social welfare State to its citizens.

For the first time, the ambiguity between public and private consumption and between citizens' individual and social rights became very clear. To the State citizens appeared to be bearers of a triad of contradictory rights: the political right of universal suffrage (legitimation), the social right of organized workers (challenge), and the diffuse or segmented right of consumers (clientele). Obviously, this Holy Trinity, intended to guarantee widespread happiness, created problems for the State, but generated an unprecedented legitimating social impetus of which the Marxist and Latin American Left became aware only when the crisis of the welfare State was at its height.⁵

Social democracy was slow in coming to power in the heart of Europe and, when it did so, the economic regulation of capitalism and the dissemination of mass consumption were already well advanced. In the case of authoritarian socialism, the victory of the Soviet Union extended the empire of real socialism, but confirmed the Soviet bureaucracy in its centralizing role of an insuperable Power, reinforced by the permanent threat of the external enemy. Within the country, dissident intellectuals attacked forced industrialization, the deprivation of consumption, the deprivation of individual freedoms, but did not manage intellectually to confront the model of Western philosophy, reinforced by circumstances, the true freedom of which was the recognition of need.⁶

⁵ For the critique of the crisis of the welfare State, see "A nova intransferência. A crise do Estado de Bem-Estar Social e o esgotamento das energias utópicas", *Revista do CEBRAP, Novos Estudos*, No. 18, December 1987.

⁶ For the relation between freedom and necessities and its recurrence in the history of Western philosophy, see Hannah Arendt, *The Human Condition*, University of Chicago Press.

⁴ See Barbara Tuckman, *The Proud Tower*, New York, Bantam Books, 1985.

Nevertheless, the bureaucratic socialist State operated by an internal logic of accumulating heavy industry, which had nothing to do with any philosophy but rather with two basic facts of political economy. First, it was a country late in industrializing which had to incorporate vast rural masses into a process of socialized labour and patterns of minimum urban consumption. The second fact was military confrontation with another system. Thus the industrial production of capital goods and armaments became the basic priority of the State, not the collective or private consumption of citizens.⁷

It is striking to note how long it took for the discussion to arise in the Soviet Union about the nature of social consumption and the character of its organization. Yet private consumption ended as if it were what the Russian people wanted, even before the failure of the "dream" of technological superiority and the bureaucratic organization of socialized labour. Gorbachev's recent self-criticism of the Soviet socialist model for organizing and managing the State and the economy recognizes the need for a new economic policy. This criticism refers again to the classical elements of efficiency and a certain freedom of markets, which has led its detractors and liberals of all shades to point out a possible "peaceful transition" from socialism to capitalism.

The dominant ideology in the Western world seeks to liberalize the two basic markets of capitalism: the labour market and the money market. For its part, the discussion on the new "democratic socialism" centres on questions of a new social organization of production, labour and political participation, and neither on the "reign of individual market freedoms", as the liberals would like, nor on the "reign of free labour", as the utopian socialists would prefer.

The new socialist realities, with respect to political freedoms and the acceptance of democracy as a fundamental rather than an instrumental value, are nourished by the "old utopias" of human society. It is not yet clear which *new "utopian energies"* will feed the transition from the relations of labour and production to a new type of real socialism.

⁷ This industrial strategy to make up for the delay was also followed at one time by the two most economically successful countries in Asia today: Japan up to the disaster of the Second World War and Korea from 1950 to 1960.

But let us go back to the crisis of the capitalist political economy in order to confront, finally, its present state of dissolution.

From Adam Smith up to the present day, political economy concerns labour, production, productivity, as necessities for economic development, subject to natural or historical laws, and rationalizes the technical process as a source of human progress in general. At the same time, it criticizes conspicuous consumption, the idleness of the leisure classes, unemployment, which are the "natural" result according to some, and the historical result according to others, of this system of capitalist or industrial production, depending on the perception of the schools to which the economists belong. They all have a moral philosophy: progress is good in itself; only its results can be bad. People are good in themselves; it is their ways of association that may be wrong. The struggle between passions and interests is the driving force of human history, but its results are generally good and progressive. Those who dare to doubt this have been categorized as alarmist or irrational.

Given this implicit philosophy of "natural progress", it is not surprising that political economy is in crisis. A discipline which seeks to be scientific should abandon a moral philosophy that preaches abstinence, saving, austerity, and postulates equilibrium, while the accumulation of wealth, waste, conspicuous consumption, inequalities and imbalances are the registered trademarks of history and the motive power of capitalism. Political economy should rather face up to the criticism of a system in which capital accumulation is an end in itself and leads technical progress down the wrong roads which are far from constituting plain "creative destruction", as Schumpeter thought.

Nevertheless, liberal economic thought did not confront reality; it liberated itself from reality. By continuing to postulate market equilibrium, it began to measure happiness in terms of the ordered (or revealed) preferences of individuals and to free itself from anxiety by selling "happiness" in psychologists' offices, often as merchandise.⁸

⁸ A sound critique of this subject is found in the works of Christopher Lash, *O mínimo eu*, Ed. Brasiliense and *Cultura do narcisismo*, Ed. Imago.

With the transformation of political economy into a moral philosophy or a capitalist apologetic, we arrive at the true model of contemporary "economic science", i.e., the so-called economic analysis of general equilibrium. Contemporary neo-classical economists include therein all human activities, in an economistic totalization that is a supreme manifestation of the arrogance and emptiness to which our "dismal science" has arrived. Labour analysis leads to a theory of human capital and consumption analysis to a theory of consumer preferences in a situation of scarce resources. Thus the individual consumer must classify his preferences by priority and compare them with relative prices in order to attain an optimum position.

The observation that every activity requires time, which is generally scarce, is basic for the idea that all human activities fit into neo-classical economic analysis. The analysis of time as a "finite good" is the touchstone for understanding the most varied aspects of human behaviour "from the economic point of view". Time is money, said United States businessmen a long time ago. That is why consumers' preferences from one time to another encompass all goods visible and invisible, from money to oil, from friendship to war, from work to idleness and finally, why not, to happiness. This last point was confirmed when sociologists discovered that it is possible to ask people if they are happy, not happy or very happy, happier now than last year, etc., and to relate such revelations not only with income but also with a series of other variables, such as autonomy, self-esteem, etc. With the help of behavioural psychologists, human action and the uncertainty of the future are reduced to a series of predictable ways of behaving.⁹

This quest in search of rationality and the market as the "sovereign kingdom of freedom" reached its peak, in the middle of the crisis of all scientific models, with the triumphal arrival of the "new classical", as the United States neo-classical economists of the most recent generation pedantically call themselves. They have no doubts about the world or science, nor is rationality in crisis, as far as they are concerned. Expectations are rational, the probable future can be predicted, equilibrium is a perfectly feasible economic course of development, depending only on a complex mathematical treatment of the models and a rapid and reliable treatment of information. This presents no technological problem; the computers are there for that purpose.

Thus a technological revolution, informatics, which has given so many headaches to scientists and social philosophers, besides causing the practical problems of "regulating" the labour market and the money market, is inadvertently emerging "for these new apostles of positive economics". For them, the central questions on the development of technological progress and the evolution of the present crisis do not lead to the answers indicated in the introduction to this essay -instability, unpredictability, lack of transparency- but rather to the opposite. Seriously, they lead to the Biblical prayer, "Lord, lead us not into temptation".

They are not tempted to "return to Paradise lost"; they find politics abominable and strictly speaking, if they could, they would eliminate human action as something that subverts logic. Samuelson, irritated by the return of the neo-classical economists (and their notorious consultancies for the military regimes of Latin America), called this attitude market fascism.

III

The negative relation between economics and happiness

Labour and consumption seem to be, throughout almost two centuries, one of the "keys" to the problem of the negative association between economics and happiness. Labour is either lacking or

overabundant; consumption likewise. Labour is socially necessary, but alienating; individual consumption is indispensable but, beyond a certain limit, it is waste, ostentation, foolish happiness. More than a problem that is formulated and resolved dialectically, it appears to be an "ambiguity". It is an ambiguity of many facets: the public or private character of labour or consumption, the free and

⁹ For a more profound critique and a different analysis of consumption, see Hirschman, *De consumidor a cidadão. Atividade privada e participação na vida pública*, Ed. Brasiliense.

necessary character of human activity, general happiness or unhappiness, which desires or rejects labour and consumption as a curse or a blessing.

These ambiguities also pervade all currents of economic thought, from the liberal to the Marxist, and almost always generate a moral philosophy which upsets the most rigorous analyses. That is why a rise in the levels of material consumption was always seen as an evil by all the great thinkers of the past, from Adam Smith up to Veblen (the first great critic of consumerism). This moral rejection has become so widespread in our time that there is practically no author, conservative or progressive, who does not attack consumerism. In his interesting book *From Consumer to Citizen*, especially in chapter II, Hirschman artfully criticizes this hostility: "New material wealth, then, is caught in a dilemma: if the masses have access to it, the conservatives rebel because the social order is threatened; if it remains out of reach for the masses, the progressives are infuriated by the growing disparity between patterns of consumption. Since data are never free of ambiguity, new wealth and new products can be, and have often been, accused and cursed by both sides."

The same ambiguity occurs with the concept of labour, whether socially necessary labour or free labour. A considerable part of Marxist or simply progressive literature has been dedicated untiringly to this issue. Unfortunately, the results obtained can be called unsatisfactory. The meanderings of Marx's labour-value theory have been made worse up till now by his disciples.

I take the liberty of repeating here some of the paragraphs of the essay I wrote in 1978, even though they obviously do not resolve the question of ambiguity. "Given the growing fragmentation of the 'labour market' and the impossibility of standardizing the social conditions of production, an attempt is still being made to recover, for the purpose of a contemporary analysis of wages, the concept of the 'reproduction cost' of the labour force. In the effort to rationalize the intolerable reality of capitalism and its decaying 'order', the discussion centres on the personal earnings of 'free labour', converted into bureaucratic subjection in the organized services of the State, in terms of productivity. The work of doctors and teachers employed by the State is discussed as if it were 'productive labour'. Being subject to the same general regime for exploiting paid

labour, all 'special jobs' are considered as if they were governed by the regulations concerning a working day that involves machine work. It would be better instead to examine their social usefulness or *use value*, and try to negotiate their 'exchange value', not arbitrarily, but in line with the real conditions of power and *legitimation* by society."

The "politicizing" of prices is rejected, even the most visibly politicized one, which is the price of labour in services that do not fit into categories such as productivity or scarcity. There is no awareness of the fact that the basic difference between a "lumpen association" and a "corporation of university-trained labour" lies in the differences of political power and social status. There is no admission that the system of valuation is different, that the system of ranking in the labour process no longer coincides with the technical and productive differentiation of capital; that in modern social organizations, the superstructure of the contemporary capitalist system has its own valuation rules, in which political power and legitimation count more than capital movements, in disorderly expansion.

Labour, if capital dispenses with it, is, in its "freedom", temporarily downgraded to the status of immigrants, or is forced to create organizations for its survival. It is obliged to wage a political struggle, periodically lost, in a society that is falling apart, pending a transition to a new society.

Hannah Arendt's interesting reflections on *animal laborans* also do not dispense with the ambiguity of labour and its relation to action and the human condition. The following is a quotation from a paragraph of her analysis of the consumer society, which seems to me relevant to this essay because of its explicit reference to happiness.

"The rather uncomfortable truth of all this is that the triumph of the modern world over necessity is due to emancipation of the labour force, that is, to the fact that *animal laborans* can occupy a public sphere, and that nevertheless, so long as *animal laborans* continues to possess that sphere, there can be no genuinely public sphere but only private activities exhibited in public. The result is what is euphemistically called mass culture; and its deep-lying problem is universal unhappiness, due on the one hand to upsetting the equilibrium between labour and consumption, and on the other, to the persistent demand of *animal laborans* to attain a happiness which can be achieved only when the vital

processes of exhaustion and regeneration, pain and relief of pain, are in perfect balance. A universal demand for happiness and unhappiness, so common in our societies (and which are no more than the two sides of the same coin), are some of the more persuasive symptoms that we have already begun to live in a working society that does not have enough work to keep it happy. For only *animal laborans* –and not the craftsman or the man of action– never asked to be happy or thought that mortal men could be happy.”

Gorz's reflections are more specific and aim to solve the problem.¹⁰ However, despite his critique and his proposal of a lifelong income independent of employment, the ambiguity of free labour is not resolved in his text. He says some naive things, similar to those of the neo-classicals: instead of a self-regulated market, self-regulated free labour. Conflict and politics evaporate from his writings, as

in the case of our neo-classicals. His faith in automation and in the freedom to come and go recalls the naiveté of *laissez faire, laissez passer* of the early liberals.

Thus at the end of his most stimulating chapter, “Leaving capitalism behind”, he says: “the comings and goings between heteronomous labour, optional microsocial activities and autonomous personal activities constitute the guarantee of equilibrium and the freedom of each person. The complexity, the vagueness, the overlaps keep open the spaces where initiative and imagination can be exercised. These are the richness of life”.

Thus, given automation, “economic logic” would no longer have anything to do, according to Gorz's way of thinking and –I would add– the organization of socially necessary work would disappear. And, in short, the reign of individual freedom and general happiness. So let, utopian energy come!

IV

Latin America: neither Finland Station nor a Secure Port; terra incognita

So far we approached the relationship between economics and happiness from different theoretical perspectives, with a brief look at its historical context from the view of the “central” countries. For the wealthy and democratic societies, this problem took on philosophical and technological dimensions that gave rise to a very substantial and pertinent debate, especially if the arms race were to be separated from the central concerns of humanity. For the authoritarian and less technologically advanced socialist societies, the problem seems about to be discussed with the self-criticism of the “old society” and the attempts to build a new society in which the basic problems are still democracy and efficiency, two old friends of Western thought since the beginning of the Modern Age. But what can we say of the peripheral societies, so heterogeneous in their economic, social, cultural and political patterns, most of whose peoples still lack the basic necessities of life?

In Latin America, the concept of *modernity* still obsesses the intellectual élites, liberal-conservatives or progressives. Reading *Prospero's Mirror* of Richard Morse tempts one to re-examine the concept of modernity in the light of our Iberian matrix.

The nucleus of the theory of Latin American underdevelopment, formulated by Raúl Prebisch in his seminal essay of 1949,¹¹ seems to have been forgotten or reduced to academic formalizations, at most as part of the history of Latin American thought. Only a few disciples and friends who are still alive continue the struggle. However, several Latin American economists have reverted to the earliest concepts of the modernization theories prevalent in Latin America in the 1950s, before the contribution made by José Medina Echavarría and his disciples.

But the basic question, in my judgement, is not the gap between modernity and backwardness, or between growth and stagnation. We had 50 years of

¹⁰ See André Gorz, *Les chemins du paradis. L'agonie du capital*, Ed. Galilée.

¹¹ Raúl Prebisch, “El desarrollo económico de la América Latina y algunos de sus principales problemas”. *Boletín económico de América Latina*, Economic Commission for Latin America and the Caribbean (ECLAC), vol. VII, No. 1, Santiago, Chile.

continuous growth in Brazil and several decades of conservative modernization, and yet the unequal structural matrix of capitalism is still intact. José Serra and I wrote an essay in 1970 on the driving force of capital accumulation and structural heterogeneity, inspired by Aníbal Pinto. I took up that question again in the early 1980s.¹²

We tried to show that the reason why we were in this situation of flagrant social injustice was not a lack of material progress! All in vain! The "progressives'" current idea is their insistence on modernization, dynamic international insertion, and the efficiency of the State, as conditions for returning to growth. First grow, then distribute. Once again it is the old theory of slicing the pie. And what happened to the discussion on development styles? And who will guarantee that the basic necessities of the population will be covered?

The left's adoption of the "dependence" concept led to no better results. Actually the Latin American left had to waste a lot of energy and pay for their acceptance of the "old utopia" of democracy with many lives. They learned, at their own cost, from seeing the political and ideological effects of dictatorships on our peoples that democracy is a permanent and not an instrumental value. At least most of them learned the lesson before the fall of the Berlin Wall.

Nonetheless, the Latin American school of thought suffered a considerable defeat in the field of political economy. This is where neo-liberal ideology wrought havoc among the younger generations. Their elders concentrated on discussing the external debt and achieved an apparent victory in terms of growing ideological acceptance, culminating in the creditor countries' recognition that it was impossible to pay the debt on the terms in which it was contracted and those on which it was being negotiated.

However, the basic analyses and recommendations on internal adjustment processes are generally accepted, despite their terrifying theoretical poverty and conservatism: putting "the house in order", reducing the amount of the deficit through

conventional monetary and fiscal adjustments, opening the economy in order to increase competition and attracting foreign capital to modernize our backward economy. Do not miss the "train of history" which runs through Europe and Japan! There is no possible theoretical critique for such trivialities! The intellectuals of the left know that the "train" no longer runs beyond Finland Station, but the crisis of real socialism and of Latin American capitalism has left them more perplexed and weakened than they were throughout the 1980s.

But what is happening to Latin American societies? Are they witnessing defencelessly the "end of history", prophesied by tired intellectuals and weary élites who buried the French Revolution with pomp? Certainly not. South American society moved fitfully, with a tremendous energy never seen before, throughout the post-war period, but without a visible political structure. Throughout the 1980s we witnessed demonstrations of discontent, the struggle for redemocratization, gigantic elections, rage, joy and creativity of the young urban masses. "A land at a critical junction", Glauber Rocha would say. "Deep rivers", would be Arguedas' description. The poets are, as always, in the vanguard.

Terra incognita. One must navigate, said the Portuguese poet in the distant past. The Safe Haven does not exist; the masses "disembarked" a long time ago on this American continent. What some of our "sociologists" have still not discovered is that neither Europe's past nor its present will be Latin America's future. They want to disembark directly into the present social democracy of Mitterrand and Felipe González, without considering the existence of the wretched masses and the enormous conflict that prevents any "social pact" from being any more than a democratic political pact. Passing from political democracy to social democracy involves building institutions and much broader consensus than those that will make it possible to reject the terror of authoritarian States.

The economists, descendants of the old ECLAC and the critical thought of Prebisch, Furtado and Aníbal Pinto, have dedicated themselves to the critique of Latin American capitalism and are making a strong effort to understand the adjustment processes of contemporary capitalism, in its accelerated transformation, and ask the basic questions: Does global transnationalization effectively eliminate any possible reaction by the nation States of the periphery? Can Latin America put up a joint defence

¹² José Serra (ed.), "Além da estagnação", *Ensaio de interpretação da América Latina*, Ed. Paz e Terra; M.C. Tavares, "Problemas estructurales en países de industrialización tardía y periférica", *Revista de política económica latinoamericana*, Centro de Investigaciones y Docencia Económica (CIDE), Mexico City, 1981.

as regards the external debt and partial economic integrations, at least in the Southern Cone? Is it possible to change production patterns with equity?

Economists of almost all hues wash their hands of the question of organizing wretched masses and the democratic State, and refer the problem to the sociologists or metahistory. They are far behind our esteemed leader Prebisch who, in the last years of his life, postulated specifically political action and the search for a democratic-socialist model.¹³ Repositioning theories on these matters is only the beginning. The roads and projects depend on the struggling capacity and political coordination of Latin American society. The struggle that started a long

time ago is being taken up again, but in very adverse objective and subjective conditions.

"Democracy is compatible with poverty and violence", a famous international sociologist said recently in Campinas when discussing the prospects for the late twentieth century. There was meagre applause, but general bewilderment paralysed the discussion. Perhaps what he meant was that our recently reconquered political freedoms were not in danger, that there was no risk of going back despite the degree of social conflict. But he was unaware of the negative effect of the categorical statement, especially at the symbolic and psychological level.

For us, and as a tribute to the life and work of Raúl Prebisch, the starting point has to be elsewhere; poverty and violence cannot be accepted alongside democracy. Moreover, they will be overcome only by intensifying the struggle for democracy, inspired by a long-term view of the objectives to be attained.

¹³ Raúl Prebisch, *Capitalismo periférico. Crisis y transformación*, Mexico City, Fondo de Cultura Económica, 1981.

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