

BUILDING A POPULAR ECONOMY:
A HORIZON FOR CITIES ADRIFT

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TABLE OF CONTENTS

- I. Introduction
- II. The globalization context
- III. Possibilities for urban development through the growth of a modern export sector
- IV. The possibility of conceiving urban development from the standpoint of human development
- V. The need to adopt a future-oriented view of the urban popular economy (UPE) as a perspective for imparting a new meaning to the city
- VI. The need for a founding effort to promote the development of a self-sustained UPE
- VII. The development of the UPE as a matter of common interest
- VIII. Conclusion

I. Introduction

The background document for this seminar (1) mentions the objectives of the urban reform programmer being set up in Brazil (2): participation and democratization, effectiveness and efficiency of public policy, priority accorded to investment in social services for underprivileged sectors. At the same time, the document casts doubt on some of the notions underlying the urban reform programmer, stating that the availability of urban services has not decreased but perhaps increased since the 1970s. Attention is called to the contradiction between an *obvious* economic and social crisis – which primarily affects urban popular sectors- and a greater availability of urban services, indicating an improvement in the quality of urban life. This might be answered with an ad hoc hypothesis: namely, that there exist time lags in the manifestation both of the effects of pre-crisis social investments and of certain effects of the crisis in Brazilian cities, and that in due time the crisis being experienced in the cities will also be reflected in the indicators of urban quality of life. However, this discrepancy between statistical data and hypotheses based on generalized experience may also be the consequence of the notions of “quality of life” and “urban” being employed – notions that not only shape the resulting diagnoses but also serve as guides in policy formulation.

To begin with the latter, the notion “urban” is usually associated with what are referred to as “urban” services (water, light, electricity, sanitation, transportation, shelter in the broad sense) and extended to include other “local-type” services (health, education). For this definition of the concept “urban”, a progressive urban reform would result in a more equitable distribution of those services and of the land itself among the members of the population inhabiting urban centers.

When, as in the case of the Brazilian movement, urban reform further includes a transformation of urban decision-making and management structures and of the legal system governing ownership, this can be interpreted merely as a condition that will guarantee the sustainability of such a more egalitarian distribution of urban services. However, it can also be viewed as the incorporation of new dimensions into the concept of quality of urban life (e.g., democracy based on participation), which implies an extension of the concept of what is “urban”.

If the latter is the meaning of this broadening of the concept of urban reform, it is not clear why the determinants (and areas of intervention) of quality of life incorporate the quality of popular participation in public management and not the quality of participation in the economy itself. To do so would mean further including in the domain of local public policy: employment and self-employment conditions, relative prices of the means of production possessed by popular sectors, and the distribution of goods and services in general, of which “urban” social services are a part, the one chosen by urbanologists as belonging specifically to their professional field.

Not only is singling out of certain goods and service as “urban” questionable (why are the production and distribution of bread not included in the list?): the very distinction between economic policy and social policy (whether urban or not) entails a misunderstanding that shows up in the bureaucratic division of labor among departments of municipalities and Ministries of the national Government or among the agencies of the United Nations system. This institutionalized separation has no other justification than the (now transparent) thesis that, while economic processes follow objective laws, social processes are subject to the political will and are thus matter for demands, negotiation or reform.

It must be pointed out that the contradiction, referred to above, between enhanced “human development” –reflected in numerous indicators connected with “social” services (literacy and opportunities for formal education, nutrition, life expectancy, availability of drinking water and sanitation, etc.)- and economic crisis –also reflected in economic indicators (unemployment and underemployment, income, number of bankruptcies, precariousness of existing jobs, etc.)- is also manifest on the global level, when one points to a rapprochement of the social indicators of the countries of the North as compared with those of the South (side by side with a growing income gap). This observation has led to the assertion that the 1980s, more than a lost decade for development, was a decade *gained* for human development. (3) Consequently, inasmuch as economic policies will be reduced to the bare minimum and it is not expected that future economic growth will include those now excluded, globally oriented *social* policies come more to the forefront as representing public policy and, in order to sustain trends in global human development, are focused on regions and population segments characterized by extreme poverty. (4)

This paper is guided by the thesis that urban policies intended to reform urban life must be focused on the urban economy and its development possibilities. Without this consideration, neither more efficient urban management nor the redistribution of services nor even the institutionalization of a participatory democracy can get under way. Furthermore, focusing our analysis on the urban economy would be more in keeping with the priorities manifested by the popular sectors themselves, which generally show greater interest in achieving a stable income than in better access to “urban services”. Within this outlook, the question to be dealt with in the rest of this paper will be: What future does the globalization process hold for urban economies and what alternatives might be contemplated within this context?

II. The globalization context

The process of globalization of markets, the end of the “cold war”, structural adjustment policies and new social policies are shaping a novel politico-economic context for urban life in the metropolises of Latin America. This context lends itself to different attitudes on the part of those formulating an urban programmer based on a democratic and popular outlook:

- One possibility is to assume that the trends observed are the necessary resultants of a new technological revolution and the formation of a world market, to which the cities on the world periphery must adapt, following universal formulas laid down by the intelligentsia monitoring the process of globalization and world-wide political restructuring. This means *accepting* as definitive the reform of the State and the predominance of the world market along with the priority of macroeconomic equilibria and payment of the foreign debt, and focusing what remains of social policies on extreme poverty. In accordance with this alternative, if the poor are organized or made to participate, it will be with a view to receiving donations efficiently.
- A second possibility is to assume that the process taking place is part of a voluntary plan on the part of the agencies and agents of world power, following a neoliberal

programmer that is being imposed by economic, ideological, political and military force throughout the world. As a consequence, ideological and political struggle (armed struggle having been forsworn) would be the way to *resist* such a plan. One would thus have to attain State power in order, from that position, to reaffirm self-determination and counter world economic trends adverse to the popular camp. According to this alternative, any step going along with the new trends is viewed as complicity in the attempted domination.

- A third possibility, to which we subscribe, is to view the new trends as stemming from a new configuration of forces in the world, characterized, among other things, by centralization of the economic power of capital on a world scale, a transfer of power from political agents to economic agents (under the guise of the “free market”), the curtailment of social and political limits on the use of the most efficient technologies for capital, the loss of alternative paradigms (social countries) as an empirical reference point, and great weakness on the popular side, beset by extraordinarily deteriorated and precarious living conditions. (5) Accordingly, it is essential to consider and act on those empirically observed trends in such a way as to *codetermine*, in the short and medium term, the effects of globalization on our societies, with the aim of ultimately changing the socio-political bases of the present correlation of forces. This means not only recognizing and analyzing the multiple processes that constitute and accompany globalization, but also establishing a utopian horizon and a tentative strategic framework to serve as guidelines for the consideration of alternatives and convergent action originating in multiple centers of initiative in both national and local societies. (6) Here it will be crucial to have a theory and an action perspective that are oriented toward the development of **economic alternatives**.

Indeed, if, as is foreseeable, the dynamic inadequacy of the capitalist order to absorb the urban labor force in Latin America becomes magnified, a growing inorganic segment will be the refuge of half the working population, yet will not overcome the accompanying hardship and insecurity. Such a segment will be made up of (a) self-employment,

(b) a quasi-domestic bottom-up “informality” (family and group survival strategies) and (c) the “informality” derived from the new modalities of modern production (tertiarization of the production process). (7)

The objectivity and universality of this trend (8) is the result of the opening up of economies to international competition, which compels capitalist enterprises to adopt technologies that enable them to compete, both quality-wise and price-wise, on the world market. The weakening of the ability of the trade unions and the rational State to impose limits on capital and the combined effect of territorial deconcentration and global centralization of the processes of accumulation enable enterprises to innovate at a dizzying pace, independently of the socio-economic impact on local societies, in particular the growing unemployment rate. Even if the hoped-for economic takes place in the North, it is already anticipated that it will be “growth without employment”. (9)

Moreover, the ability and will of the State to supply the basic necessities of reproduction of the population through collective consumption will continue to be limited. This is a result of the macroeconomic adjustment programmer, whose fundamental elements include the privatization and deregulation of the economy and the predominance of fiscal equilibrium over social and political equilibria. The proposed extension and “simplification” of taxation may entail a further decline in tax equity. (10) In Latin America this situation will tend to remain unchanged so long as there is no relief from international political pressure exerted through the external debt. (11)

While the medium –and high- income segments of the population will be able to obtain basic goods and services on the market, for the poor, who are expected to comprise more than half the urban population of Latin America by about the year 2000, “safety nets” are being spread, based on local and international philanthropy and the allocation of residual State funds and new credits earmarked for social purposes, (12) with a view to providing relief in situations of extreme hardship. It is also expected that spontaneous initiatives on the part of communities, together with measures taken by local governments, will generate alternative ways to satisfy the basic needs of the poor.

As we shall see further on, this view of the future does not seem to include any urban development prospect capable of effectively bringing the have-not majorities into the economic and political mainstream.

III. Possibilities for urban development through the growth of a modern export sector

As a result of these trends, the usual dichotomy between local urban market and external market and the corresponding concept of the “urban economic base” appear to lose their relevance when it comes to designing urban development policies based on the growth of the capitalist sector. In the model that was prevalent in the sixties, the urban economy was divided into two sectors that theoretically exhausted it: the export sector and the domestic sector, both tied together by an input-output relationship and by the dynamics of income generated and spent on the local market. (13) According to the newer view, the export sector is a juxtaposition of enterprises loosely rooted on a common base services, whose decisions depend on the comparative efficiency of that base and on access to markets of and inputs from other regions of the world rather than on domestic production and the domestic market. Integration among the components of the export sector and its linkage with other domestic production sectors are not viewed as prerequisites of development, whereas this had been widely discussed within the development paradigm as characterizing the difference between enclaves and poles of development. (14)

In keeping with this view, rather than thinking of integrating an organic local economy in which the domestic and foreign markets worked together and stimulated one another, one would attempt to create an “environment” –underlying the export nuclei- capable of nurturing the competitiveness of the establishments geared to the world market were temporarily set up in each city. (15) Here an important role is played by the costs and continued reliability of sophisticated urban services required to keep the enterprises participating in world trade “plugged in”. (16) But the concept of “environment” can be extended to include the existence of a population re-educated in such a way as to form a flexible mass of workers with low direct and indirect wages and with basic education to facilitate rapid ad hoc training. This seems to underlie the world-wide policy established by the World Bank, the stated objective of which is to overcome obstacles to the systemic growth of urban productivity but which, in its implementation, might boil down to achieving the international competitiveness (the key to the trade surplus required in order to pay off the external debt) of an export sector that views the rest of the local economy as a mere “environment”. (17) This, however, means that only a small portion of the city and its inhabitants

will be integrated into the modern capitalist sector. This economic and social dualization may tend to be reflected in renewed physical segregation/zoning in the cities.

While world capital will shift freely on the global scale in search of the best combinations of technology, resources, market access, labor cost and skills, local agents, not having that mobility, must compete, from fixed positions, with the free import of goods produced by the most modern technologies and/or at substantially lower labor costs (on a world labor market with a job shortage of one billion).

Thus, the competition of products coming from other, less developed regions of the world where wages are even lower than those prevailing in the cities of Latin America will leave little room for any more equitable redistribution of resources through the participation of local production in the market created by the export sector (18) or through higher wages based on productivity, due to the fact that (the tie to the domestic market having been lost), if wages increase, they will tend to reduce the competitiveness of the city and consequently employment in the modern sector. (19)

For the sectors not integrated into the export complex, on the other hand, compensatory policies will be established, based on extra-economic criteria of equity or environmental balance and aimed at avoiding extreme situations that might threaten political and economic stability, which has now acquired a new meaning, being redefined as a factor of competitiveness (another element of the "environment"). At the same time, self-employment and self-management of services will be encouraged, thus minimizing public responsibility for employment and basic services for the population.

The extroversion of national economies thus has a direct impact on the dislocation of the feedback chains of urban economic activity as well as the dislocation of the social alliances that go with them. All of this is accelerated by the ubiquity of the world market, the computerization of the processes of production and control, the increasing speed of physical movement and its replacement by information flows. Both services and activities involving the production of material goods are affected by this. The Keynesian concept of the multiplier and its correlate of policies aimed at reducing the leakage of multiplier effects also lose their relevance, for the view tends to prevail that growth will be achieved through the net addition of export activities following world market signals. The free entry of goods and services from other regions is

viewed as positive, since it reduces local costs, thus attracting other activities in which international competitiveness can be achieved.

What links dynamic activities is no longer their interrelatedness via input-output, nor via the generation of income and domestic demand, but rather the common utilization of a base of infrastructures, services and labor that are flexible and efficient. Any attempt to stimulate productive integration beyond what arises from the free play of market forces is seen as introducing unnecessary rigidity and as reducing the flexibility necessary for maintaining dynamic competitiveness. Any attempt to reproduce in our cities –whether through policies of protection or incentive- any integration between a strong research and development system and production, such as one observes in the principal industrial centers of the world, is viewed as a proposal that runs counter to the instantaneous and “natural” flexibility required by the model of modernization based on immediate competitiveness.

While goods and information (and the centers that produce them) will become more and more mobile and ubiquitous, the physical infrastructure and labor will maintain greater spatial inertia, for material as well as cultural reasons. That is why stress must be placed on their “flexibility” in situ, as a substitute for spatial mobility. As for emigration as an escape valve, one can expect even less receptivity on the part of the industrialized countries, which have their own employment problems. If intraregional migrations are stepped up, given that the dynamic inadequacy is systemic there will also be a tendency toward the reproduction of large contingents of surplus population (with respect to the labor requirements of capital) at the places of destination. We can thus expect growing resistance to migrants, both domestic and international, demanding services from a public economy with no capacity to respond and competing on a job market that already has a surplus supply.

The cities will then be reduced to the condition of offerers of an export infrastructure and “environments” to attract a capital that sees the world as a whole as a theatre for its possible deployment. Moreover, this restructuring of the decision-making theatre has implications –which must be examined- for the significance and possibilities of local political scenes.

To sum up, the new capital investment attraction factors will be:

- The availability of labor obtainable at low direct and indirect costs, having a basic education that enables it to be trained rapidly for changing processes but no confrontational attitudes that might affect the continuity of production and communication processes between the links of the international chains of production and circulation;
- The existence of a production culture that favors productivity, innovation and instant communication;
- A public policy and a network of social agents to diminish the indirect costs of reproduction of the labor force, reduce the costs of legitimizing the actions of enterprises and guarantee the stability and calculability of transactions;
- A collective infrastructure adapted to the requirements of enterprises whose high mobility necessitates minimizing sunk costs.

However, these tendencies and requirements of the capitalist export sector, viewed as a driving force for restoring economic growth, do not suffice to delineate a sustainable transformation of the cities we have inherited from the previous development model. When the dominant paradigm was that of economic development, even its critics viewed the city as something built according to the logic of capital, through a combination of market processes and the regulative action of the State. Now, however, cities are tending to an ever-increasing extent to take the shape of an island of modern enterprises (even physically separable ones) in the sea of the excluded: former traditional or modern industries geared to the captive domestic market, now in process of dissolution, and above all, the households of the structural poor and of the now impoverished former middle-class sectors, with their “informal” economic activities designed mainly for survival. And although this “informal” sector is in many ways connected with the modern sector, it is thus connected in such a manner that it can no longer be viewed as coming under the logic of capital (industrial reserve army, marginals, etc.).

Even if a Latin American city is considered as belonging to the network of “global cities”, it will include within its perimeter a population majority and activities that are only sporadically integrated into the activities of the “global city”, if at all. A number of vicious circles may crystallize in a global city, made up of efficiently interconnected modern islands surrounded by another, more distant, city-one belonging to the third world. (20)

Many of these considerations might lead one to revive an old (and criticized) dualistic conception of society and its space that had been pushed aside by conceptions that viewed the capitalist system as integrating and refunctionalizing all social relations, personal or sectoral identities and their respective spatialities. We do not, however, mean to affirm that there are no exchanges or influences –especially from the capitalist sector toward the rest of the economy- but rather that it seems neither useful nor correct to interpret everything that takes place in an urban society as just another particular, displaced or occult form of one and the same dominant essence or logic: capitalist accumulation. By the same token, recognizing the reality of globalization should not lead one to conclude that the growth of an export complex segregated from the rest of the economy is the sole avenue of development for every city.

IV. The possibility of conceiving urban development from the standpoint of human development

The problem is that an alternative macro-logic (21) for what we have referred to as the “rest” of the economy and society has not yet been formulated. Doing so would enable one to uphold a view of the urban economy as an articulation of subsystems, (22) the resulting logic of which would itself be the articulation of at least *three different logics* (that of capital, that of the public economy and that of the popular economy) *in the same field*: that of the production, circulation and distribution of goods and services.

The anthropological or sociological studies of the 1970s and 1980s on “survival strategies” assumed that those strategies were the result of an adaptive reaction to the sole existing system (the capitalist system, with the State viewed as its public apparatus), so that they ended up being recodified as indirect forms of exploitation, the necessary complement to a process of reproduction of labor power. (23)

Nor were the proposals relating to human-scale development able to fill this void, owing to their utopian character and their idealization of popular daily life, which prevented them from having a solid empirical base and, for that very reason, made it impossible to conceive a strategy of transition from the current reality to the realization of the proposed

model of life, with its center of gravity based locally, on day-to-day life defined as direct interpersonal interaction. (24)

If the opening up of national economies is not effectively countered, the patterns of supply and demand of material or cultural goods will develop out of the oligopolistic struggle for markets, in which capital – industrial, commercial, financial and that of the media- will be the shaper not only of the material possibilities but also of the ideal referents of urban life, the creator of expectations and avenues of action, the builder of a life world that will impose a view of reality and of the possibilities of changing it.

How can one conceive of alternatives for the city from within this projected picture-frame of reality? How can one conceive of it as a place for integration or pluralistic cultural exchange to take place if the material bases of such integration are not visualized? How can one think of a democratic city, a city belonging to everyone, as part of an increasingly polarized society? How can one contemplate reforms emanating from the State if the resources for such reforms must come from a surplus controlled by a highly mobile capital without frontiers that has the power to sabotage any attempt to make it contribute substantially to social development?

It may help to think once again in terms of objective contradictions. The urban question today has an economic basis: the trends of urban economies in the context of the global economy are toward social disintegration and exclusion and poverty for the majority. These problematic social aspects, however, affect capital only if they become an obstacle to its reproduction. That obstacle exists, but it appears in the guise of a political question: How to legitimize a system of ownership, rights and rules of coexistence that permit private accumulation exclusive of the majorities in a democratic system that purports to be governed by the will of the majority? (25)

This question is so obvious that, no more than a few years from the start of the structural adjustment process, when it is still believed that neoliberal ideas predominate, the way is already being opened for the formulation of new social policies by a State which, it had been assumed, was going to dismantle once and for all its capacity to control the social effects of private capital accumulation. Today, members of the political intelligentsia have assumed that they must provide an answer to the question of governability and they know already that mere symbolic manipulation cannot suffice under conditions of extreme scarcity. This

systemic imperative merges with moral-type reflection based on genuine concern over human misery, which, it is realized, will be produced by the globalization process if left to its own dynamics. (26)

There thus arises the *human development proposal*, intended by its creators to be paradigmatic for *voluntary* action by international agencies, non-governmental organizations (NGOs), social organizations and governments, while capital continues to become globalized in accordance with its “*objective*” dynamics. The proposal is characterized by a high degrees of ambiguity, a sign, perhaps, of the period of transition and search for direction and meaning. The following are some of its basic features: (a) development will not arise as a trickle-down from the growth of the world economy, if this indeed occurs; (b) development will require investing directly in the people and widening their range of choices; (c) in this regard, education policies are in the forefront; (d) a change is needed in the international system of government to guarantee greater equity, in anticipation of the social and political conflicts to which globalization will give rise; (e) the resources available for the “social sector” must be concentrated for the time being on the poorest segments of the world’s population; (f) it is essential to regulate markets to make them “people-friendly” rather than promoting “market-friendly” policies. (27)

As a consequence of these approaches and their impact on the designing of new uniform social policies being imposed by international organizations, an area of contradiction is opening up within which it is possible to impart a different rationality, from the perspective of popular interests, to the resources earmarked for social policy. In any event, it is fundamental to get beyond the patronizing view, often shared by activists of NGOs involved in action with the poor, that “social rights” can be satisfied by guaranteeing the most equitable access to goods and services through redistribution policies. On the contrary, one must adopt the perspective of increasing relative economic self-sufficiency in the popular camp.

V. The need to adopt a prospective view of the urban popular economy for imparting a new meaning to the city

Theoretically, the urban economy can be broken down analytically into three subsystems, each with its own logic, always articulated but having a relative autonomy that varies from case to case. These are:

- The urban *capitalist economy*, made up of the local chapters of organizations that follow the entrepreneurial model of management with the objective of maximizing the accumulation of world-wide money capital. The opening up of economies imposes on them the criteria of efficiency associated with that objective, under penalty of succumbing in the face of imports or being dislodged from their foreign markets by other enterprises;
- The urban *public economy*, organized according to a politico-bureaucratic management model and made up of all local, sectoral and national organs of the State apparatus with jurisdiction in the city sphere. It has several manifest objectives: (a) to meet the requirements of city-based private capital accumulation, broadening its base of competitiveness with respect to other cities and regions of the country and the rest of the world; (b) to contribute to the political legitimation of the economic and social system; (c) to watch over the governability of the system, avoiding extreme conflicts; (d) and to watch over the common good, defined in social utopian terms (equity, justice, etc.). The relative weight of each of these objectives will depend on the political project of the Government, but it is assumed that some combination of all these objectives must always be present. (28) Structural adjustment programmers are directly or indirectly imposing on the urban public economy, especially in the large cities: (i) a balanced budget; (ii) recovery of expenses by making public services payable at real costs; (iii) extension of the coverage of property and taxpayer registers; (iv) privatization and decentralization of its services; (v) earmarking of resources on a priority basis for the direct or indirect payment of the external debt; (vi) priority allocation of remaining "social expenditure" to the poorest segments of the population; and (vii) concentration of its management on promoting the competitiveness of the export sectors. In addition, entrepreneurial values and management methods are being introjected into bureaucratic structures.

- *The urban popular economy (UPE)*, made up of households of workers and their various organizational forms (individual, familial, community or cooperative), whose aim is to use their pool of labor-power to achieve the enhanced reproduction, (29) across the generations, of the biological and cultural life of their members. One characteristic of the UPE is the empirical and conceptual difficulty of separating the domestic reproduction unit proper from other economic and cultural undertakings in which its members are involved. This has implications for spatial organization, for in fact, popular economic organizations defy the thesis that the best way to guarantee the reproduction of the population is through functional (and territorial) separation of production from reproduction. (30)

The meaning of *creating the socio-economic environment for the development of the UPE* (nonexistent as such at present) and the relationship between the UPE and the popular socio-economic substrate that constitutes its currently existing empirical referent have been presented in other writings. (31) Here we shall move forward with its analysis in order to clarify some of the tasks implied by such preparation in a complex urban society.

Urban popular sectors (urban workers who rely for the reproduction of their life on the continuous realization of their labor-power) perform a variety of activities: (i) production of non mercantile goods and services within households or within cooperative-type organizations characterized by a greater or lesser degree of permanency; (ii) mercantile production of goods with a wide variety of technologies and purposes, from inputs for the modern corporate sector (produced either autonomously or by way of formally subsumed processes, as in the case of homework for capitalist enterprises) to consumer goods for popular use; (iii) mercantile rendering of productive services directly or indirectly required for the production of other goods or services (e.g., equipment repairs) or for the direct satisfaction of worker needs (e.g., education or health); (iv) mercantile rendering of non-productive services, falling primarily under unnecessary trade (from the standpoint of circulation at minimum supply cost); (v) enhanced reproduction of the capabilities of their labor-power and hiring out of such capabilities as paid labor; (vi) organization and regulation of interests, participation in public management or in its supervision.

Many of these goods and services are produced and offered, consumed and demanded, by popular agents, either locally or in other areas; others are sold to agents of the capitalist economy or the public economy; they require means of production originating in local, national or international units of the capitalist economy as well as others produced by popular economic agents. Not all their productive or consumer resources are reproducible, nor are all of them appropriated through the market. Thus there exist, for example: unilateral transfers or donations (from NGOs, international agencies, governments); appropriation by direct collective action (e. g., invasion of public or private lands for popular housing); de facto temporary occupation (e. g., use of public urban space for commerce, street production or cultural activities); appropriation by way of demands addressed to the State; “recovery” of property of capitalism stores by looting, etc. In addition, there exist recurrent financial transfers as a counterpart to the flow of goods and services, or other unilateral transfers bearing different signs (subsidies received, taxes paid, etc.).

To build a vision of a popular economy it is necessary to go beyond this empirical recognition of various popular economic activities and introduce a conceptual framework within which one can **conceive of the UPE as superior and viable totality**. To grasp the profound meaning of this totality it is convenient to introduce the concept of human capital. *Human capital* is not viewed here as an external resource that can be exploited through subordination to a logic of accumulation, but as a form of patrimony inseparable from the person, the household and, by extension, the community. Its effective development *immediately* includes the improvement of the quality of life of its supporting members.

For this conception of **human capital**, *the main investment is in education, whether formal, informal or non-formal, aimed at the systematic enhancement of personal capacities, skills and abilities and the creation of a stimulating environment for learning, with the institutionalization of a practical learning process that is systematic and cumulative*. In order to be efficient, however, it must be *an investment that builds into human capital a dynamic of self-development, transforming it into a “capital” that will expand qualitatively without requiring continuous outside investments*. For this purpose, certain things are necessary: (i) in its very operation it must continually outstrip itself, generating higher knowledge in a learning process tied to the practical processes of more and more complex transformations of reality; (ii) its structuring must include relatively autonomously organized research, education and training functions for recovering, scientifically

potentiating and freely disseminating the results of the related experience; (iii) its own efficacy must continue to feed the motivation for new educational demands and enable it to obtain the material resources for self-sustenance. *According to this conception, human capital is a social category which structures the economic action of individuals and articulated groups guided by the enhanced reproduction of their lives.*

The resources of the household economy are not confined to the possible unfolding of labor-power and its related intangible elements (technical, organizational and other skills, abilities and know-how), but also include fixed assets (land, housing/premises for dwelling, production or sales, instruments and facilities, consumer appliances, etc.). At the level of a community of household economies, other collective resources and relationships are added: land used in common, physical infrastructure, centers and networks of services, corporate and social organizations in general, etc. These assets and capabilities are formed, cumulated or appropriated as a function of the objective of reproduction of life, under the best possible conditions, within the particular cultural framework. This “accumulation” does not follow the laws of capitalist accumulation of value: though some of its elements may have a value redeemable on the market, what predominates is their usage value or their value as a reserve for possible emergencies.

An analysis of the external and external flows and resources of the aggregate of urban households would show that: (i) its principal “resource” and source of dynamism is human capital, which includes subjective elements but is also embodied in accumulated means of production; (ii) its chief contribution to the overall economy is the reproduction of labor-power and the supply of labor in exchange for salaries and wages (32); (iii) it also produces for the market a considerable flow of goods and services intended for other households, the capitalist economy or the public economy (33); (iv) its external transactions –whether with the rest of the urban economy or with the economy outside the local realm- take place in accordance with certain terms of trade, one of the principal elements of which is the real wage. However, this relative price (the monetary wage in relation to the value of an essential basket of goods) is not the principal determinant of the results of that exchange. Indeed, changes in the prices of the means of production, rates of interest, etc., acquired, as compared with those of the goods and services offered, greatly influence the quality of life of the popular sectors.

In order for the ideal concept of urban popular economy to be realized, it is necessary to transform its existing empirical referent, channeling internal actions and external interventions toward objectives such as: (i) developing its competitiveness (including the aspect of money costs), with fundamental weight being given to criteria of quality and differentiation of products and services; (34) (ii) promoting its efficient relative self-centredness; (iii) transferring capacities and resources from the sphere of circulation to that of production; (iv) developing its capacity to satisfy vital need through the very quality of the work processes (participation, development of management and communication capacities, creativity, etc.); (v) developing a relationship with the habitat (production-reproduction) consistent with the logic of human development; (vi) institutionalizing a system of generation, adaptation and diffusion of production techniques, management styles and organizational forms suited to the development requirements of the UPE, etc.; (vii) institutionalizing procedures for the regulation of competition and other economic relations within the UPE; (viii) systematically developing abilities, skills and know-how that will make the development of human capital a self-sustained process; (ix) using outside resources, in particular donations and credits for collective use, in accordance with an overall strategy designed by the community itself; (x) promoting active participation in local government, aimed at social development stemming from the community.

All this requires a period of trial and error, of reflection and consolidation of new forms of organization of the popular camp, which in turn presupposes *the creation of a space for experimentation that is relatively protected, for a meaningful period*, so as to stimulate collective innovation by demonstrating its effectiveness; moreover, it requires special founding policies and resources, *in order to redefine the point of departure for economic relations among the three subsystems, particularly with regard to fiscal policy.*

It further requires integral action shared by the multiple actors involved, aimed not at isolated or isolatable segments, but at entire communities. In order to take place, synergistic effects must be programmed, which means the difficult task of concerting action arising from multiple centers of initiative. All this in turn *presupposes the inclusion of different economic and social strata and calls into question the criterion of focusing on extreme poverty.* It is not difficult to show what this means: development of human capital is not likely to occur if the impoverished middle classes (the new poor) are allowed to fall into obsolescence and a deteriorated way of life, for they offer capacities and

can contribute to a heterogeneity essential to the achievement of organic solidarity based on the internal division of labor, something that cannot take place through welfare-type actions geared to homogeneous strata of the poorest segments of the population.

To be able to function in a self-sustaining way, the UPE must have a certain market for its labor and its saleable goods and service in the other subsystems (which implies that the development of the other subsystems does not always run counter to its interests). But the exchange should be characterized by favorable terms of trade, and this will require greater economic efficiency but also the use of political power on the part of popular organizations. In addition, it must gain direct or indirect access to foreign currency in order to be able to demand on the market the additional producer and consumer goods required for its development; whereas in collective-type internal development activities, the mercantile incentive can be partially made up for by moral incentives or mutual convenience, hooking up with other systems throughout the world entails following the rules of such exchanges so long as it is not possible to modify them through the exercise of political, ideological or economic power.

Tying in directly or indirectly with the world market poses the challenge of possible subordination to the rules of capital. It is therefore necessary to define an alternative policy that will offset the criteria of efficiency that capital imposes on any productive organization, while at the same time permitting coexistence with them. One must define a technological policy for the UPE that will not make minimizing monetary costs its leitmotiv but will rather introduce complex criteria that take into account not only product quality, but also other dimensions of independent work, such as its being a source of satisfaction and human development (35) or constituting a basis for the development of effective citizenship.

The characteristics of the work processes of popular economic units are expressed only very partially in their low productivity, measured as is customary in the capitalist sector. The qualitative difference between such units and those of the capitalist sector is better characterized by the greater proportion of physical human energy, as compared with knowledge, required by their production and distribution processes. With regard to knowledge, it is also characterized by the greater weight of common knowledge based on practice than of theoretical and scientific knowledge. However, the necessary change in those indicators, as a basis for self-sustaining human development, does not mean

transformation into a capitalist enterprise, for there is ample room for the qualitative development of the popular economy as such. Nevertheless, the UPE must be open, and as a result, some of its capacities and resources may be subsumed or even tend to be transformed into capitalist enterprises. Yet this should not be the objective sought, as in the case of the policies for the modernization of informal micro enterprises advocated by the multilateral development banks.

VI. The need for a founding effort to enable the development of a self-sustained UPE (36)

Inasmuch as the UPE is an economic subsystem governed by the enhanced reproduction of human capital and not by the accumulation of money capital, its development (and its contribution to the development of other sectors of the economy) will depend on the change in the quality of that capital. The growth and change in quality of this complex with a view to its becoming a subsystem requires a founding collective effort that includes, among other things:

- (a) A reorganization of its internal relationships, forms of behaviour and expectations that is equivalent in scope to the transformations taking place in capitalist enterprises and public administration;
- (b) The establishment, by political action, of initially more equitable terms of trade with other economic subsystems (the capitalist corporate economy and the public economy);
- (c) The incorporation of an additional endowment of those external productive resources –that is to say, those not reproducible internally at present- that entail a limitation on the development of the UPE: land, infrastructure services, credit, technology and educational resources, among others.

The initial appropriation of those resources or the establishment of rights to them may be effected through: (i) the reduction or cancellation of the current net transfers from this sector to the rest of the economy (tax system in general, socialization of the foreign debt); (37) (ii) the establishment of a legal system that guarantees the regulation of fair trade, including fair wages for the labor force; (38) (iii) donations from assistance agencies and NGOs; (iv) the redirection and synergistic

coordination of public social policies; (v) the transfer of resources on the basis of political processes (public land claims, agrarian reform, preferred credit rates, subsidies to public utilities used, etc.); (vi) the incorporation of collective means of reproduction of the UPE (as its agents gradually take charge of a growing portion of health and education services, social security funds, credit, technological research, building of physical infrastructures, etc.), which may in turn create other external limiting factors that will have to be dealt with when the time comes.

In the human development proposal mentioned, equity appears as a state of “equal opportunity” reached by leveling some unevenly distributed partial factor (e.g., individual health or education) or by partially fulfilling unsatisfied needs through donations. Both equity and growth, however, must be viewed as processes, which may either be self-sustaining, within adequate structures, or require the continual injection of outside resources, in the case of adverse structures. It is essential, therefore, to avoid falling into a situation of renewed dependency on outside action: one must rather undertake to reform or provides structures capable of self-development.

By way of a macroeconomic reference point to guide structural change, a recurrent model of economic transfers should be established, based on the criteria of transparency and fiscal equity. This is in keeping with the theoretical principle endorsed, in the name of market efficiency, by the World Bank and the Inter-American Development Bank (IDB): namely, that everyone must pay for what he receives (which implies *receiving an equivalent for what one pays*). This means revising fiscal policies in such a way contributions from popular sectors are invested in efficient services and works designed and implemented in accordance with a programmer directed toward constituting the popular economy as a human capital development subsystem. Ideally, no additional direct or indirect net transfer of resources from the popular economy to the capitalist corporate or State economy should be allowed.

This presupposes that the costs of infrastructure works and public services required in the future by the capitalist sector in order to be competitive are socialized within that same sector, without any possibility of making the burden fall on the popular sector. It is also based on the assumption that works intended for the UPE are implemented in such a way that the very process of carrying them out feeds back into the UPE, minimizing leakages to the capitalist economy.

This, however, would not be enough: there has been much accumulated plundering, and the very starting point would have to be rectified. One necessary correction is the reversion of the socialization of the payment of the foreign debt: those who benefited from it should pay the remainder, and the portion unjustly paid by the popular sectors should be returned to them through special operations *for their benefit* (swaps, etc.). (39) The capitalist sector might thus take greater interest in the renegotiation of a debt which it has to pay out of its own funds.

The popular sectors must not continue to pay the indebtedness of others in the name of the competitiveness of the capitalist sector and on the basis of the promise that they will subsequently be paid back in terms of “trickle-down”, for any trickle-down capable of reintegrating society is beyond the possibilities opened up by new technologies in the context of unequal globalization. What is more, the popular sectors have already been making a compulsory contribution to competitiveness, through the low pay they receive for their labor and the loss of social security and other historically recognized rights.

It is important to point out that however much social services may be decentralized to the local and self-management level, part of socio-economic policy will always have to remain within the *national* public sphere for reasons of economic efficiency or distributive equity. Once the actual contribution of the popular economy to the local and national public exchequer has been measured, public social expenditure can be tailored afresh. The gains in efficiency made through the administrative reform of the State will redound to the benefit of those sectors, so that such reform will be a matter of direct interest to the majority.

Moreover, as has been said, it is essential to provide the popular economy with productive resources through the allotment of land or other public or socially unproductive resources. (40) A larger portion of credit and aid to development must go to those sectors, which would pay for it when it was reimbursable (and the same would be done by the capitalist sector).

To the extent that there exists a common infrastructure and a public apparatus shared among the three subsystems, it is not a question of effecting physical separations, but rather of allocating uses and the corresponding responsibilities. We are not talking, therefore, of dualizing physical structures or public administration, but of clearly assigning contributions and benefits to the right quarters. This also entails designing public programmes that are separate, yet complementary,

based on the recognition that the urban economy is made up of subsystems that obey different logics. Obviously there will be some investments and current expenditures of general interest to the entire society, which must be shared on a basis of consensus. A system of taxation that finances such expenses by progressively taxing luxury consumption will be a just contribution, in keeping with the dramatic outlook of the majorities in these societies.

With this new beginning, the popular economy can cease to be a formless mass and develop as an integrated and integrating focal point of the local as well as –through interlocal interrelations- the regional and national economy, with its own logic, but open, and with collective interests that may differ from the interests of capitalist enterprises, though this does not prevent the existence of mutually beneficial relations with that sector. To start with, as has already been said, human capital development will be reflected in the availability of a labor force with the skills required for international competitiveness; furthermore, growth of the capitalistic corporate sector need not always be viewed as negative for the popular economy. There are possible compromises for dealing with the conflicts of interest that will undoubtedly arise. However, the conflict will become more acute and no longer governable if one tries to continue to base private accumulation on the unilateral sacrifice of the popular sector, or if natural resources or public property continue to be appropriated in keeping with the prevailing power structures.

VII. The development of the UPE as a matter of common interest

Globalization requires Latin America cities to develop a capitalist sector integrated into the processes of accumulation and international trade, which, in order to remain competitive, will necessitate constant reinvestment into its more concentrated corporate nucleus. It might be argued that, for national and local development and modernization to proceed, the dynamics of this sector must not be limited by political criteria of social integration and equity. The fallacious nature of this argument, however, becomes obvious when we recall the dynamic inadequacy of capital to reintegrate society and sustain increasing equity and democratization.

In principle, we have here a conflict between a minimal fraction of society and the popular majorities. This fraction belongs to the dominant classes and is backed by international powers. Furthermore, it has ideological power for projecting an image whereby those employed in its enterprises are portrayed as partners having a share in them (for some reason the term “popular economy” usually excludes wage-earners in the formal sector), apparently broadening their social base. In order to mobilize the founding economic flows required for building an urban popular economy, it is necessary to achieve a national, regional and local consensus. How will it be possible to achieve it when the blackmail of capital flight is used to forge an alliance with its workers and with the political class concerned with achieving the goals of growth and macroeconomic stability required to achieve legitimacy in the international system?

There are, of course, the moral arguments in the name of equity and quality of life of the majority. The difficulty with this is that, given the limited resources available for so-called social policies, equity ultimately amounts to focusing on extreme poverty by way of compensation, which is moreover a highly unstable solution, inasmuch as the relief of poverty depends on the political will. It is therefore of interest to explore the arguments oriented toward a structural transformation that creates the basis for a self-sustained equity, consolidates political stability and even, in the medium term, favors the capitalist sector itself.

One reason, first of all, for the capitalist sector to transfer resources to the UPE is that it must necessarily channel part of what it pockets by way of surplus into supporting a welfare policy aimed at satisfying needs considered as basic, because its own political viability requires maintaining the permanent dualization/exclusion of urban and rural masses at tolerable levels. (41) What the lowest cost necessary for that purpose is will be partly determined by the strength and resolve of popular forces and by the conception that the majorities have of the economy (and politics). Of course, if their common sense tells them that the solutions are individual, that there is no social alternative to waiting for an upturn in capitalistic accumulation and that this requires the concentration of a surplus in the hands of the economic elite, they may uphold stability, suffering human costs that would otherwise be intolerable. (42) But this cannot last for long.

A second reason why capitalists should be interested in the development of a popular economy is that, as far as basic needs are concerned, there is no practical limit in sight. Therefore, should those

needs be fulfilled up to a certain level through welfare policies, new demands will arise that will mean ever-increasing, recurrent costs, which, all other conditions being equal, will diminish the competitiveness of the capitalist sector and its ability to accumulate enough to support its own development and cover the social compensation fee. This should further arouse the interest of the capitalist economy and its representatives in government in supporting self-sustaining popular development alternatives, in which the dynamics of needs is related to the actual capacities of that sector.

In addition, the reversion of resources can be seen as a strategic contribution of surplus, motivated not by moral or political reasons but by economic interest in the development of another domestic economic pole that is also modern and of high quality, whose production process will be linked not only with supplies and demands of the local capitalist sector, but also with international markets, thus contributing directly to national development dynamics.

Lastly, the strongest argument has already been made: namely, that the popular-economy subsystem not only produces goods, but also reproduces human capital, on whose quality will depend, it is said, the dynamic competitiveness of the capitalist sector, so that investing in it amounts to reproducing one of the principal conditions of the process of capital accumulation. If there is so much trust in private initiative, what greater motivation could there be than that of the workers themselves to enhance their capacities through human development!

VIII. Conclusion

The development of an urban popular economy is not theoretically in contradiction with the globalization of capital. It is a possibility whose realization depends on the adoption of a common strategic perspective for social and economic policies. It also depends on its direction being in the hands of the popular sectors themselves or their representatives, operating out of social organizations, the State and the media.

Its implementation implies going beyond the isolated actions or homogenization policies being applied to some strata of the urban popular sectors, and at the same time going beyond the technobureaucratic models of urban planning: it implies giving a new meaning

to urban policies, which must be aimed not only at maintaining an export sector, but also at shaping a third economic pole that is far more than the “environment” for enterprises geared to the world market. It also means broadening the social spectrum covered by social actions (so as to include all types of human workers) as well as the spectrum of agents responsible for urban policy, which ceases to be a professional matter for city-planning specialists, becoming a participatory practice of integral development in which multiple actors and initiatives play a role.

It is essential to point out that the social densification and the political culture resulting from the development of more appropriate bases of reproduction of the majorities will pull the rug from under the patronage system that uses them as a mass for political manoeuvring. Trying to realize this possibility may be the most effective way to contribute not only to structurally equitable and sustainable development, but also to the consolidation of a democratic system safeguarded by the continued and autonomous participation of responsible popular political subjects. This will lend credibility to social covenants and at the same time impart legitimacy and continuity to the representative political system, which at present depends too much on highly unstable and elusive elites.

NOTES

1. "Cidade, desigualdades sociais e políticas públicas, algumas questões para o debate" (1993).
2. For further discussion of urban reform proposals in Brazil, see José Luis Coraggio, "Urban reform in the 90s?", Ponencias del Instituto Fronesis, N° 2 (Quito, 1992).
3. On this contradiction and its possible meanings, see José Luis Coraggio, Desarrollo humano, economía popular y educación, Papeles del CEAAL, N° 5 (Santiago, Chile, 1993); see also UNDP, Human Development Report 1990, (New York, UNDP, 1990).
4. See World Bank, World Development Report 1990. Poverty, (Washington, 1990).
5. The apogee of neoliberalism is viewed here more as an ideological reflection of the new objective conditions than as a force transforming the real world. Structural adjustment is imposed not out of any conviction of neoliberal truth but by the exertion of force through conditionality in international economic relations.
6. For a (necessarily partial) attempt in this direction, see José Luis Coraggio, "Las dos corrientes de descentralización en América Latina", Ciudades sin rumbo, (Quito, SIAP-CIUDAD, 1991). In order for a structural effect that modifies the correlation of forces to be achieved, there must be a real transformation in the social bases, the systems of political representation and the imaginary of Latin American societies. In this, the formulation of theoretical hypotheses and interpretations of events and the critical-reflective sifting of experience can contribute only partially until there eventually emerges a paradigm that imparts unity and enhanced efficacy to initiatives that are in principle scattered, as happened in the case of developmentalism.
7. See The Informal Economy, Studies in Advanced and less Developed Countries, Alejandro Portes et al., eds., (Baltimore, The Johns Hopkins University Press, 1989).
8. According to a gross estimate, even in the industrialized countries only one quarter of the labor force might be stably situated as wage-earning workers, with another quarter participating sporadically, while the remaining half is definitively excluded. See André Gorz, Métamorphose du travail (Paris, Editions Galilée, 1998), cited in ECLAC-UNESCO, Educación y conocimiento: Eje de la transformación productiva con equidad (Santiago, ECLAC/UNESCO, 1992), p. 117.
9. Estimated global new-employment requirements for the current decade amount to a billion jobs, a figure considered unattainable. Furthermore, employment instability (subcontracting, partial and short-term employment, etc.) will increase as a result of the strategies of enterprises to gain flexibility and out costs. In Latin America (where this is basically an urban phenomenon), while the growth index of the economically active population will be 127 in the year 2000, that of employment will be only 114, over a base that already shows a deficit (year 1990 = 100). The seriousness of the situation can be seen in the ever-growing use the term "safety nets", intended to cushion the inevitable fall of enormous contingents that cannot be integrated into modern growth. See UNDP, Human Development Report 1993, (New York, UNDP, 1993).

10. One example of this may be the universal tendency to regularize and modernize real-estate property records, which, though it is supposed to give legal ownership to de facto popular occupants, will be used as a basis for future "equitable" taxes (now including the previous "informal" sectors) in order to provide local governments with funds.
11. In one decade the region transferred a net total of 150 billion dollars to the industrialized countries, which renders it difficult to think of a process of accumulation based on domestic savings. On the other hand, the net investment that has flowed in since 1990 is characterized by ECLAC as highly unstable, short-term and speculative in nature. See ECLAC, "Balance preliminar de la economía de América Latina y el Caribe 1992", Notas sobre la economía y el desarrollo, N° 537/538 (Santiago, ECLAC, December 1992).
12. An increasing portion of such credits is to be implemented with NGO mediation.
13. See José Luis Coraggio, "El futuro de la economía urbana en América Latina (Notas desde una perspectiva popular)", Ciudades sin rumbo, (Quito, SIAP-CIUDAD, 1991).
14. See José Luis Coraggio, "Towards a revision of growth pole theory", Vierteljahrsberichte, N° 53 (1973).
15. The world-wide fragmentation of production processes, in which each phase tends to be located where production costs are lowest and there is access to the major concentrated markets, is based on the fact that local integration of a number of consecutive stages in input-output chains and feedback involving relatively insignificant local markets are no longer relevant factors of location. This is valid in principle for "international" goods and services; yet one will have to analyse what room is left for "regional" or "local" goods and services beyond those required for the operation of the international goods sector. This is beyond the scope of this paper.
16. It is possible to anticipate that such services need not necessarily be available for society as a whole, but can be provided especially for the export sector, thus further contributing to the dualization of economies.
17. Along these lines, in order to relax the restrictions on urban productivity, the World Bank proposes: (a) strengthening local management of the urban infrastructure; (b) improving the regulative framework so as to increase market efficiency and enhance the provision of shelter and infrastructure by the private sector; (c) improving the financial and technical capacity of municipal institutions; (d) strengthening financing services for urban development. Though attention is also called to the need to continue policies for alleviating poverty and safeguarding the environment, what in fact predominates is actions for improving the competitiveness of the city on the world market. World Bank, Urban Policy and Economic Development: An Agenda for the 1990s (Washington, 1992).
18. Here, as those in the informal sector have learned, the marketing of multiple imported products or the rendering of personal services would seem to offer greater possibilities than the production of marketable goods.
19. This type of relationship was recognized during the recent public discussion in the United States over the free trade agreement with Canada and Mexico, in which it was argued that the Mexican Government would have to be "forced" to increase wages and give its workers better living conditions in order for United States industries not to be attracted to that country.

20. Moreover, the very delimitation of the city, based on the "local" concept, must be revised. There is a tendency for not only the productive structures but even the real-estate market itself to take on a regional, if not international, dimension, increasing the heterogeneity of the situations to be dealt with and consequently rendering "urban" policies and their administrative/territorial agents more complex. See Michael A. Goldberg, "Issues Facing the Housing and Urban Development Systems in Canada in a Globalized Economy: The Recurring Problem of Governing the Local Tents in the Global Village", 5th International Research Conference on Housing, Montreal, 7-10 July, 1992.
21. There are, nevertheless, numerous studies on survival strategies at the household level. They tend to cover collective-type practices involving the grouping together of households (canteens, housing cooperatives, building of urban infrastructures, etc.) but do not render account of the logic of a complex subsystem such as the one we visualize. See Giovanni A. Cornia, "Adjustment at the Family level", in Adjustment with a Human Face, Giovanni Andrea Cornia, Richard Jolly and Frances Stewart, eds., 2 vols. (Oxford, Clarendon press, 1987); Estrategias de vida en el sector urbano popular, Roelfien Haak and Javier Díaz, eds., (Lima, FOVIDA/DESCO, 1987).
22. By "subsystem" we mean something more than an aggregate of elements left over from the true system. The organic solidarity of its parts, based on the mutual dependency of heterogeneous elements, unlike mechanical solidarity, which is based on the mere aggregation of homogeneous elements, is an essential characteristic that differentiates the possible making of a popular economy from the present state of the popular sectors. See Emile Durkheim, La división del trabajo social (Madrid, Akal, 1987).
23. Thus, the informal sector was viewed as a way of lowering the living costs (and needed income) of the wage-earning worker, or the unpaid domestic labor of women and children, as a form of over-exploitation of the wage-earning class; likewise, the multiple popular identities were defined by their exclusion/inclusion in the extended category of the proletarian class.
24. Max-Neef, Manfred et al., "Human Scale Development: An Option for the Future", Development Dialogue, 1989. Recent attempts, to tie domestic survival to macrosocial processes can be found in Real-Life Economics. Understanding Wealth Creation, Paul Ekins and Manfred Max-Neef, eds., (New York, Routledge, 1992).
25. "...as the World Development Report 1990 concludes, urban poverty will become the most significant and politically explosive problem in the next century", World Bank, Urban Policy and Economic Development: An Agenda for the 1990s, (Washington, 1991), p. 4. The same document points out that 17 the 21 megacities (population over 10 million inhabitants) will be in developing countries (including four in Latin America, two of which are Rio and Sao Paulo).
26. See Boutros Boutros-Ghali, "So that the poor, the needy and the suffering may have a better life" (translated from the Spanish), Declaration of the Secretary-General of the United Nations, Notas sobre la economía y el desarrollo, N° 530 (Santiago, ECLAC, June-July 1992).
27. A more extensive analysis of this proposal, and in particular of its implications for educational policy, can be found in José Luis Coraggio, Desarrollo humano, economía popular y educación, CEAAL, Papeles, N° 5 (Santiago, Chile, 1993). See also the four issues of the UNDP Human Development Report and UNDP/UNESCO/UNICEF/WORLD BANK, Meeting Basic Learning Needs,

background document of the World Conference on Education for All, Jomtien, 5-9 March 1990.

28. Thus, in a formally democratic system, a government on behalf of a worker party cannot neglect to ensure the conditions for the competitive reproduction of the capital situated within its sphere, nor can a government on behalf the capitalist class neglect to relieve conditions of extreme want among the popular sector.
29. "Enhanced" reproduction meaning "reproduction under ever-improving conditions".
30. For a more detailed description of the urban popular economy concept and of its difference with respect to other concepts similarly termed, see José Luis Coraggio, Economía popular y políticas sociales (Quito, Instituto Fronesis, forthcoming). On the need to rethink the design of the habitat from this standpoint, again see José Luis Coraggio, "Economía popular y vivienda (Entre el sistema global y el barrio)", Ponencias del Instituto Fronesis, N° 3 (Quito, 1992).
31. See note 30 and also José Luis Coraggio, "Del sector informal a la economía popular: un paso estratégico para el planteamiento de alternativas populares de desarrollo social", Ponencias del Instituto Fronesis, N° 1 (Quito, 1992).
32. A portion of these flows of labor and their payments may be of an international order and is acquiring increasing significance (a Mexican rural emigrant sends an average of \$1000 a year to his family; in 1989 the developing countries as a group received nearly \$25 billion under this heading, which in some cases may amount to as much as 5 per cent of the GNP), UNDP, Human Development Report 1992, (New York, UNDP, 1992).
33. Here, too, the international percentage of these flows maybe considerable, especially in open-frontier zones.
34. To give an example, certain grades of foodstuffs (e.g., organic foods) or handicrafts (for example, those produced by groups whose human rights are being violated) or other products (such as those produced with technologies that affect certain species or upset the balance of ecosystems or, more generally, those produced in countries that do not respect certain agreements concerning the environment) have markets that are not governed by the same values or mechanisms as the markets for standardized products that may be produced anywhere in the world. The pressure that consumer movements have been able to exert in this regard is by no means negligible. See International Organization of Consumers Unions (IOCU), El poder de los consumidores en la década de los noventa (Santiago, 1992).
35. See James Bernard Murphy, The Moral Economy of Labor (New Haven, Yale University Press, 1993).
36. This chapter and the next are based in part on: José Luis Coraggio, "Promoting a popular economy: a path to human development" (1993).
37. Actually, part of the transfers from this sector to the rest of the economy are transfers not of *surplus*, but of the value of a portion of its basic means of sustenance.
38. In one argues that this runs counter to market laws, then it is fitting to demand that one should be consistent, deregulating the international migration of workers to industrialized countries as well. Just as the operation of the market requires a legal system to guarantee the performance of contracts, the reproduction of human life requires a legal system to protect it from a blind mechanism of accumulation of power that tends to destroy it.

39. This does not always coincide with the swaps advocated by international NGOs in order to promote their own objectives in developing countries.
40. The World Bank considers that, "Where it can be done, redistribution of land should be strongly supported" (World Development Report 1990, Poverty) (World Bank-Oxford, 1990), p. 3.
41. In accordance with the reasoning presented at the meeting sponsored by UNDP and IDB in February 1993, the sustainability of the structural reforms encouraged by IMF and the World Bank –which presuppose the renewal of foreign investment and the voluntary repatriation of flight capital- requires a social reform to impart greater stability to the political system, without which there would be no guarantees for capital. See Inter-American Development Bank/UNDP, Reforma social y pobreza. Hacia una agenda integrada de desarrollo (New York, IDB/UNDP, 16 January 1993).
42. This possibility, of which there already seem to be examples in the region, is a good reason for exploring more autonomous alternatives, so as to prevent the blackmailing of the popular sectors.