

PROMOTING A POPULAR ECONOMY: A PATH TO HUMAN DEVELOPMENT¹

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The process of internationally opening up an economy and a society implies that certain sectors which produce goods and services gradually assimilate modern technologies and standards of thought and action that tie them to the equivalent sectors in the developed societies, while the majority of production and services not only remain at an inferior technological level, but also at a similarly lower level in terms of social organization and human-resource training. (CODICEL/ECLAC, 1990)²

1. Introduction

Indeed, unless bold action is taken to avoid it, the process of globalization, which goes beyond the opening up of markets, will tend to dualize still further societies that are already highly polarized economically and socially. This will not only aggravate the existing inequity, but also add to the stability of democratic institutions already seriously limited from the point of view of a substantive democracy.³

It is not possible, however, to reverse those tendencies through voluntary political or ideological processes alone. One of the reasons is

¹ Adaptation and expansion of chapter XI of Desarrollo humano, economía popular y educación, Papeles del CEAAL N° 5 (Santiago, 1993). To be published in Economía y Trabajo (Santiago, Programa de Economía y Trabajo).

² In CODICEL/ECLAC, Enseñanza primaria y ciclo básico de educación media en el Uruguay, Administración Nacional de Educación Pública del Consejo Directivo Central/ECLAC, Montevideo, 1990.

³ The concern over the political effects of the economic crisis and an intransigent application of macroeconomic adjustment policies was transparent at the recent meeting organized by the United Nations Development Programmer (UNDP) and the Inter-American Development Bank (IDB). See Reforma social y pobreza. Hacia una agenda integrada de desarrollo (New York, IDB/UNDP, 16 January 1993).

that the present correlation of political forces is generally opposed to any project bearing a popular stamp. What is needed, therefore, is a long-term strategy of consolidation of new popular political subjects, without whom democracy becomes deformed. The principal thesis of this paper is that such consolidation in turn requires the structuring of counteractive processes *originating in the economy itself*, new self-sustaining economic structures consistent with the values, identities, attitudes and behaviors promoted by human-development and democratization endeavors.⁴ In Latin America, action in the field of culture –where it is generally assumed that education is central- must also be action on the economic foundations of society.⁵

On the one hand, however, the globalization process leaves in suspense the possibility of any self-centring of national systems brought about through private or State investment, as was maintained by the development paradigm in the 1960s.⁶ On the other hand, the present social policies cannot fill the void resulting from the absence of vigorous economic growth because they focus on the mere relief of extreme poverty and have even abandoned the aim of offsetting the new effects of the crisis and adjustment policies (particularly in respect of the middle urban sectors), thus reproducing dualization.⁷

In comparing their own practice with new social policy aimed at relieving extreme poverty, NGOs may feel that their historical task of pleading on behalf of the poor has finally been successful and that new resources will now flow in to extend and bolster their work, as part of a

⁴ See UNDP, Human Development Report 1993 (New York, 1993) and the previous three annual reports. In them human development is defined as the process of broadening people's real options, which implies the training of individual and collective capacities and an environment that offers fair opportunities to exercise them, including the availability of material resources.

⁵ Education, for example, in addition to being an investment some of whose effects are long in maturing, must also, qua action aimed at promoting the development of human capital, yield immediate economic results for those receiving it and for society, thus creating from the outset the conditions of its own self-sustainability. The initial motivation of the learner in joining the educational system must be maintained by the results achieved in everyday life as a consequence of that decision. Similarly, if there are not adequate resources to finance ever-demanding educational activities, fresh resources must be generated to enlarge the initial fund, and neither the school nor impoverished families can provide such resources unless their economic base is energized.

⁶ See José Luis Coraggio, "Contribuciones posibles al planteamiento de un modelo de desarrollo alternativo desde la perspectiva de la economía popular urbana", Textos de CIUDAD, N° 18 (Quito, 1992).

⁷ See World Bank, World Development Report 1990. Poverty (Washington, 1990).

decisive transfer of social responsibility from the State to society. However, the time require a through re-examination of the modus operandi of NGOs, due, among other things, to the substantial changes that have taken place in the scale of the problems and the related context.

In any event, even if poverty continues to be the target, we now have to deal with a phenomenon that is increasingly urban in nature, concentrated mainly in the large metropolises.⁸ This means that the community-action model, implicitly inspired by situations of localized rural poverty, must be thoroughly re-examined. In particular, it demands going beyond “qualitative” interventions of very limited scope whose continuity depends on external resources and wills. Another scale and quality of action is required for sustainable popular development, promoting structural transformations of the context of which small groups or communities are a part. This can be facilitated by the use of a common strategic framework to impart meaning and efficacy to the multiplicity of local development initiatives.

One possible element of that strategic framework, which we shall present here schematically, is to try to achieve the integration and relative self-centring of the group made up of popular economic agents, who, for the most part, tend to be excluded, or run a high risk of being excluded, from modern economic growth.

What is involved is an inorganic, heterogeneous aggregate that exhibits little articulation, yet possesses significant levels of economic activity and resources, albeit with technical and organizational levels that might be improved considerably. To refer to (part of) this aggregate, the term that has predominated is “informal sector”, which is defined by way of a negation of what is dominant (the “formal”) and not as the positive affirmation of a distinct economic logic.

2. From the informal sector to the poplar economy

⁸ See ECLAC, “El perfil de la pobreza en América Latina a comienzos de los años 90”, in Notas sobre la economía y el desarrollo, N° 536 (Santiago, November 1992); “Panorama social de América Latina, edición 1991”, in Notas sobre la economía y el desarrollo, N° 517/518 (Santiago, November 1991).

The “informal sector” tends to be defined conceptually in terms of a juxtaposition of (variously weighted) criteria: illegal economic activity; small-scale undertakings; labor-intensive technology; low labor productivity; low-income self-employment; street trade, crafts, domestic service; little or no accumulation; predominance of pre-modern relationships, such as those of kinship or apprenticeship; solidarity values; and so forth.

The final result is an ad hoc conglomerate that does not answer to any specific “macro-logic”. This chaotic vision is completed by the idea that the agents in question operate in the interstices, outside of the logic of the “formal” economy, whether private or public, and that they expand or contract in order to compensate for changes in that economy.

All these criteria apply to individual workers or small undertakings that participate independently in the market. Non-mercantile domestic work lies outside this classification. Moreover, wage-earning workers employed in “modern” enterprises, whether private or State-owned, are not, however low their income may be, viewed as part of the “informal” conglomerate, because they operate under the immediate direction of foremen or officers who represent the logic of maximization of private profit or State power.

His view (basically an empiricist view) of the informal economy gives rise to three main schools of thought regarding what is to be done with it:

The *neoliberal approach*⁹ proposes doing away with the regulations that stifle the initiative of these economic agents. According to this line of thinking, the dismantling of the legal system that was aimed at controlling private free initiative would cause these agents to emerge from informality (which for this approach is identified with “illegality”). The congruence of this trend with the more radical versions of the “structural adjustment” is obvious.

The *managerial/modernizing approach*, present in the most varied programmers of governments, international agencies and NGOs

⁹ See Hernando De Soto, *El otro sendero* (Colombia, La Oveja Negra, 1987); *Las nuevas reglas del juego. Hacia un desarrollo sostenible en América Latina*, Hernando De Soto and Stephan Schmidheiny, eds. (Bogota, Ed. Oveja Negra, 1991).

dedicated to this sector, adopts an evolutionist conception of enterprises. According to this approach, from thousands of individual or family-operated undertakings one would generate, by means of selection through competition, several hundred medium-sized enterprises and a few tens of large concerns, all modern. This approach aims to accelerate that evolution and, for that purpose, uses the ideal features of a modern enterprise (high capitalization, legal ownership, access to credit, high labor productivity, bureaucratic organization, etc.) to assess the current situation of existing undertakings and map out the direction of the changes needed for germination, in a sort of genetic surgery. Increasing efficiency (measured in accordance with modern standards) is the leitmotiv dominating the infusion of resources for such modernization. This approach differs from the previous one in that increasing efficiency is no longer the result of the free play of market forces but of programmers for the development of informal activities –conceived and implemented “top-down”: from the State and international agencies, with the operational mediation of NGOs. This approach admits of two variants: (i) the *individualist variant*, which views the entrepreneur and the micro-enterprise as the unit of self-development; and (ii) the *associationist variant*, which considers the grouping of productive forces in cooperatives or other similar forms a necessary condition for self-development.

The *solidaristic approach*, associated primarily with Christian (Catholic) groups, views the family and community survival strategies of the poor as a social and cultural bedrock for the horizontal extension and emergence (“from the bottom up”, starting locally, from the primary communities, with the facilitating support of NGOs) of values of reciprocity and solidarity, incarnated in institutions such as mutual self-help, cooperatives, communal work, parties and celebrations, popular assemblies, etc. This approach also proposes to counter the negative effects of the market, the State and political power.

There is a fourth possible approach, which we should like to put forward, that differs in direction and meaning from the foregoing, though it may use some of their elements:

Enabling the emergence of a popular economy, from the substrate of economic activities whose agents are the manual and intellectual *workers* of country and city, whether dependent or independent, owners or non-owners. This approach does not idealize present-day popular values or practices, nor does it propose

overcoming them with a view to attaining full capitalist modernity. It neither recommends disconnection from the capitalist market nor seeks full integration into it. It is an open proposal, inasmuch as it does not prefigure what specific activities, relationships and values are to constitute the popular economy in question. Nor does it choose between society and State, but rather proposes working at the interface between them.

In the promotion of a popular economy, the economic, political and cultural starting points (the “basic socio-economic stratum of the popular economy”) are at the same time its support and its object of transformation. The main task is to achieve organic solidarity among these elements, so that the development of some elements contributes toward and requires the development of others. This means favoring the establishment of relationships of interdependence, embodied in exchanges mediated by market relations or in directly social relations, between households belonging to the same community and between communities, creating the foundations for new collective identities and for sustainable of popular development.

3. The making of a popular economy **The economic substrate**

The main component of this substrate are the currently existing *household units* –individual, familial, community, cooperative- whose meaning is to be found in the use of their labor power¹⁰ *for the purpose of achieving the transgenerational reproduction of the life –both biological and cultural- of their members.* This includes not only the poorest segments of each society, but includes all “workers”, from the poor sectors to high-risk middle sectors (inclined to drop below the poverty line) and other middle sectors whose reproduction continues to depend on the uninterrupted realization of their labor pool.

The resources of the household economy include not only the possible use of labor power with its related intangible elements (technical, organizational and other skills, abilities and know-how), but

¹⁰ The “labor power” of a household unit is constituted (both quantitatively and qualitatively) by the pool of the various work capabilities and energies of its members: children, young people, adults and seniors, both men and women.

also fixed assets (land, housing/premises for dwelling, production or sales; instruments and facilities; consumer appliances, etc.). These assets and capabilities are supposed to be formed or appropriated as a means for the ever-improving reproduction of life within each cultural framework.

This “accumulation” does not follow the laws of capital accumulation of value. While some of its components may have a redeemable value on the market, what predominates in their configuration is their use value or their value as a reserve for possible emergencies.

At the level of the community of households, other collective resources and relationships are added: land used in common, physical infrastructure, service centers and networks, corporate and social organizations in general, etc.

An account of the internal and external flows and resources of the aggregate of urban households would show the following: (i) Although its principal resource is human capital, it also includes important durable consumer goods and means of production. (ii) The main heading under which it contributes to the economy is the reproduction of labor power and the supplying of labor in exchange for wages and salaries¹¹. (iii) It also produces and puts into circulation a considerable flow of goods and services produced for the market, intended for other households (within the aggregate household economy) or the rest of the economy (capitalist corporate economy or public economy). The international percentage of these flows, moreover, may be sizeable, especially in open-frontier zones.¹² (iv) Its transactions with the rest of the economy, whether national or international, 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 means of

¹¹ A portion of these flows of labor and wages may be of an international order (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). See UNDP, Human Development Report 1992, (New York, 1992).

¹² There has been little research on this aspect in connection with the urban informal sector. “Manos del Uruguay” and Otavalo in Ecuador are two well - known cases involving textile exports on a significant scale.

production, in interest rates, etc., as compared with the prices of the goods and services offered, greatly influence the quality of life of the popular sectors. (v) In addition to its relations with the rest of the economy, the aggregate household economy has two internal exchange levels: (a) that, already mentioned, between households, which is fundamentally mercantile but also includes direct barter and exchanges of cooperative social work based on solidarity, and (b) that within each household unit, which includes mainly non-mercantile exchanges among the members of the unit.

Production relationships within the household economy And the significance of the community

Domestic work implies a “*technical*” *division of labor* (in other words, one not mediated by the market) (a) within the household, (b) among households within the same community and even (c) among communities. Domestic production relationships are entangled with kinship (affinity and consanguinity), ethnic and neighbor relationships and others.¹³

When some of these units are treated by outsiders as backward “microenterprises”,¹⁴ the qualitative differences with respect to the form of organization known as the “enterprise” are obscured: in the household economy interpersonal relations are of the utmost importance, and affective, ethnic, ideological and neighbor relationships as well as those of kinship and others have considerable weight; production relationships are not objectified in a bureaucracy; their objective is not unlimited accumulation; etc.

The *appropriation of resources* internally and among domestic economies (means of production or consumer goods, know-how, etc.) is not, then, governed exclusively by the laws of the market, though it is not unrelated to them: it includes various procedures such as (a) the distribution of resources in accordance with certain rules of reciprocity, (b) *de facto* occupation of land and public spaces, (c) illegal connections to power mains, (d) organization to assert claims with

¹³ The fact that they are not capitalistic production relationships does not rule out the existence of exploitation on the basis of gender, age or ethnic affiliation.

¹⁴ For example, a leitmotiv of Inter-American Development Bank (IDB) training programmers for micro enterprises is getting the students to learn to “separate family from enterprise”, viewed as a requisite in order for them to join the formal sector.

respect to the State, (e) the patronage system, (f) mendicancy or, sporadically, (g) the popular “recovery” of property to satisfy elementary needs, etc.

These individual or collective actions can also be leveled against the interests of other equally popular units. In any event, what popular economic agents consider a legitimate economic act in keeping with custom and common practices –generally associated with the needs of reproduction of the biological and cultural life of members of the group– may indeed not coincide with the juridical regulations of the society.¹⁵

The relative weight of economic relations (both mercantile and non-mercantile) within the popular economy itself is substantial, and many of the activities that take place in it play, at the macro social level, more of a redistributive than a wealth-creating role (“socially unnecessary” informal intermediation or ritual exchanges, for example). In any event, it cannot be postulated that this aggregate is an “economy of solidarity”, in the sense that its internal relations are predominantly based on solidarity and not competitive.¹⁶ Both the degree and the forms of solidarity must be ascertained in each case and for each specific local or national situation.

Regarding product distribution, a distinction must be made between two different levels: (a) between members of a household unit, it is based on reciprocity and need more than on individual productivity or power relationships; (b) between members of a given community or of different communities, it is based on a combination of competition and certain rules of reciprocity that apply within well-delimited spheres.

In any case, actual relations of reciprocity do not leave much room for the usual idealization shared by certain trends in popular education or popular promotion. To associate “community”

¹⁵ See Jorge E. Hardoy and David Satterthwaite, La ciudad legal y la ciudad ilegal (Buenos Aires, Grupo Editor Latinoamericano, 1987).

¹⁶ See Luis Razeto, “Sobre la inserción y el aporte de la economía de solidaridad en un proyecto de transformación social”, in Estrategias de vida en el sector urbano popular, Roelfien Haak and Javier Díaz, eds. (Lima, FOVIDA/DESCO, 1987); Economía popular de solidaridad, identidad y proyecto en una visión integradora (Santiago, Programa de Economía del Trabajo, July 1990).

automatically with the most generous forms of solidarity and reciprocity is a common error inspired by ideological thinking.¹⁷

Promoting the emergence of a popular economy will require a more objective analysis of the relationship between “solidarity” and self-interest, a relationship which can in fact be modulated and regulated by moral rules that tend to ensure the existence of the community as such. It will also be necessary to analyse other relationships that may be behind material exchanges, such as those of *compadrazgo*, of authority or of public power reflected in various forms of patronage.

The moral fascination of the community can be sustained rationally only if one thinks of the model of an isolated community. The category “community” logically and in fact implies, among other things, the concept of “those not belonging to the community”, or “other” communities, with respect to which the same values and rules of behavior do not apply. In respect of them, rules of exchange and appropriation may be applied that are far indeed from generalized reciprocity (such “others” may even be viewed as enemies). These rules may include appropriation by theft or occupation or competition for public or private investment resources.

The main point, however, is that in developing societies there exist various forms and levels of integration, which go beyond the summation, confrontation or coexistence of differing communities. Thus, society constitutes a modern overcoming of the limitations of the community, based on “local” relationships. But society in turn is based on the relative subsumption of other identities and forms of existence, such as those associated with communities, which are subject to overconformity to the values and relationships emerging in highly heterogeneous societies.¹⁸

The tensions of the popular economy

¹⁷ See Marshall Sahlins, *Stone Age Economics* (London, Tavistock Publications, 1972).

¹⁸ See Agnes Heller, *Sociología de la vida cotidiana* (Barcelona, Ediciones Península, 1977); also José Luis Coraggio, “Participación popular y vida cotidiana”, in *Ciudades sin rumbo* (Quito, SIAP-CIUDAD, 1991).

Up to now, the only empirical referent for the proposed “popular economy” concept has been its possible generating substrate, which is simply an *inorganic segment* (existing in and of itself) of the capitalist system. In this respect, we differ from those who use the same term to refer to popular economic activities in their current state.

Thus, then we speak of a POPULAR ECONOMY, we are referring to a *possible but not yet constituted* configuration or resources, agents and relationships which, while maintaining some of the central qualitative characteristics of the initial substrate of households, would develop a higher degree of interdependence and would institutionalize new rules governing work and distribution, *taking the form of a subsystem* in relation to the economy as a whole.

In contradiction to the *capital economy*, whose meaning and direction lie in accumulation, *the meaning of this true economy of labor would reside in the enhanced reproduction –enhanced by means of work- of the biological and cultural life of its members*. In view of the present tendency to exclude a significant portion of the population from access to means for its reproduction and given the dearth of integrative economic alternatives, there are now greater chances for such a subsystem to emerge.

It is not, therefore, the size of its components,¹⁹ nor the fact that it not controlled by the State, nor its low productivity, nor the type of goods and services that it produces, but the quality of its relationships and the meaning of work that characterize the popular economy. *From its standpoint, human capital is not an external resource that one can exploit by subordinating it to a logic of accumulation, but a patrimony inseparable from the person, from the household and, by extension, from the community and society. In this way its effective development includes. Immediately, the improvement of the quality of life of its supporting members.*²⁰

Nor is the popular economy characterized by the non-mercantile character of its activities. The relative weight of mercantile and non-

¹⁹ There are cases like “MANOS del Uruguay”, which includes more than 1000 women producers and exports a considerable portion of its production.

²⁰ Rigorously speaking, we should not use the term “human capital” in this manner, but only to refer to human energies and capabilities when they are incorporated into capital as a productive force. However, in view of the fact that extensive use has been made of the term in the broader sense, we are employing it in this manner to facilitate the dialogue.

mercantile economic activities is not constant, but depends on the advantages and const of alternative uses of labor power. What is more, its dynamics –due in part to its still inorganic state- may be contradictory. For example, if the price of labor (wages and salaries) increases, popular demand could shift towards a greater consumption of goods of capitalist origin, thereby reducing the opportunities for independent work. Similarly, an increase in the revenue of this inorganic aggregate would not always result in a higher level of internal accumulation, inasmuch as considerable amounts are siphoned off to the corporate sector and the public economy (taxes).²¹

Moreover, an increase in the demand for its products may lead to development of the production units, but this can in some cases withdraw them from the popular sphere and transfer them to the capitalist corporate sphere. Normally, the “development of the informal sector” will entail a process of differentiation (through the concentration and centralization of resources, accompanied by the development of capitalist relationships), or in other words, a flight of resources from the informal sector.

The starting point, then, in a basically inorganic, subordinate and unstable aggregate which, left to the play of market forces, would not be able collectively to go beyond the immediate and uneven reproduction of its members.

Furthermore, an atomistic nature, low generation of economic surplus, high concurrence and a low entrance threshold are characteristics that prevent concentration and centralization in large units *within* the sector, which, on the contrary, are inherent trends of capitalist economic development. This does not stand in the way of mechanical solidarity processes, with quasi-monopolistic behavior, as

²¹ In this connection, one may consult Proyecto Regional para la Superación de la Pobreza/UNDP, La economía popular en América Latina – Una alternativa para el desarrollo (mimeo) (Bogota, UNDP, July 1991). Given their definition of popular economy, the authors see the wage bill as an *external* demand for informal production, but in any event, in analyzing the effect of a wage increase, they conclude that “...the behavior and dynamics of the so-called ‘wage fund’ will be transformed into a variable capable of explaining in large measure the dynamics of small-scale popular urban production and a sizeable part of the indissoluble unity existing between it and the so-called ‘modern wage economy’”, in particular the medium –and high- pay sectors. Mention is also made of the existence of negative income elasticities, which supports the idea of the substitution effect.

may be the case of associations of urban carriers or certain networks for the marketing of agricultural or artisanal products.

4. Some preliminary conditions for the emergence of a popular economy and human development

The specific features of the starting point of production in the popular economy are expressed only very partially in the sector's low productivity as measured by the criteria of the modern sector. The qualitative difference between this and other sectors is better expressed in terms of the high proportion of physical human energy, as compared with knowledge, required by its 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. We maintain that, as its major resource is human capital, a change in these indicators does not necessarily require transformation into a capitalist enterprise.

In other words, inasmuch as it is an economic subsystem governed not by the accumulation of money capital but by the enhanced reproduction of human capital, its development, as well as its contribution to the development of other sectors of the economy, will depend on the change in the quality of the latter capital, its central role being maintained.

Such a change in quality, however, cannot arise from isolated local actions which, while qualitatively meaningful in themselves, are insignificant as far as achieving a structural change is concerned. What will be required, therefore, is a coordinated founding effort that will include, among other things: (a) a reorganization of its internal relationships, forms of behavior and expectations that is equivalent in scope to those taking place in the modern corporate economy and in public administration; (b) the creation of more equitable terms of trade with the rest of the economy; (c) a substantial increment in those external productive resources –that is to say, those not reproducible internally at present- that involve a limitation on its development, such as: land, infrastructure services, credit, technology, educational and health resources, etc.

The appropriation of such resources may be effected through: (i) the reduction or cancellation of current transfers from this sector to the rest of the economy (tax system in general), socialization of the foreign debt); (ii) the regulation of fair trade, including fair wages for the labor force²²; (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 development and internalization of the sector's reproduction (as it gradually takes charge of a growing portion of health and education services, social security funds, credit, technological research, building of physical infrastructure, etc.), which may in turn create other external limiting factors that will have to be dealt with in due time.

Is it possible to achieve a consensus to mobilize the founding economic flows required to build an urban popular economy? The moral justifications in the name of equity and the quality of life of the majority lead to emphasis on *relieving* poverty, perpetuating a situation that is conflictual and politically unstable. Therefore, we need to explore the possibility of a structural transformation such as will create the bases of self-sustained equity and in the medium and long term suit even the capitalist and public economies. Among other arguments, one might advance the following:

In the first place, the capitalist corporate sector must in any case channel part of the surplus it appropriates into support for a welfare policy, because its own economic viability requires maintaining the permanent economic exclusion of urban and rural masses at tolerable levels. Yet basic needs have no limit (which makes them a question that may at any time become politicized) and the limitless cost of satisfying them may reduce competitiveness and the ability of the capitalist sector to continue generating sufficient surpluses to cover both its own development and social compensations. If there exists the alternative of an initial investment that puts into operation a process of reproduction of the popular sectors that makes them more directly responsible for their situation and does not require a continual flow of transfers, it may suit capital better.

²² In fact, part of the transfers from this sector to the rest of the economy are transfers not of *surplus*, but of the value of part of its basic livelihood.

In the second place, the initial reversion of resources can be viewed as a strategic contribution of surplus, not for moral or political reasons, but for the purpose of developing another internal economic pole, also modern and of high quality, whose production process will entail supplies and demands to the capitalist corporate sector, thus contributing directly to the dynamics of national development.

In the third place, the popular economy subsystem not only produces goods, but also reproduces human capital, on the quality of which the dynamic competitiveness of the capitalist corporate sector also depends.

As a reference point for any computations, a model of economic flows should be established, based on the criteria of transparency and tax equity. This is in keeping with the theoretical principle (now endorsed by the World Bank and the Inter-American Development Bank (IDB) in the name of market efficiency) that everyone must pay for what he receives (which implies *receiving an equivalent for what one pays*). This means revising tax policies in such a way that contributions from popular sectors are invested in efficient services and works designed to potentiate and constitute the popular economy, particularly as relates to its human capital. According to this, no hidden transfer of resources from the popular economy to the capitalist corporate or State economy should be allowed. This further implies that the costs of infrastructure works and public services required by the capitalist sector in order to be competitive should be socialized within that same sector, without making the burden fall on the popular sectors.

This, however, would not be enough: there has been much accumulated plundering, and the very starting point would have to be corrected. One necessary rectification is a *the reversion of the socialization of the payment of the foreign debt*: those who benefited from it should pay the remainder, and what was unjustly paid by the popular sectors should be returned to them through special operations for their benefit (swaps, etc.).²³ 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, on the basis of the promise that the return on this

²³ This does not always coincide with the swaps advocated by international NGOs in order to promote their own objectives in developing countries.

sacrifice will subsequently come in the form of “trickle-down”, for any trickle-down capable of repaying society is beyond the possibilities opened up by new technologies, even if capitalist investment were to regain its momentum. What is more, the popular sectors are already making a compulsory contribution to competitiveness through the low pay they receive for their labor.

It is important to point out that however much social services may be decentralized to the local and self-management level, part of social 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 public exchequer has been measured, public social expenditure can be tailored afresh and the gains in efficiency made through the administrative reform of the State will redound to the benefit of those sectors, so that the reform of the State 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 resources. A larger portion of credit and aid to development will have to go to those sectors, which must pay for it when it is reimbursable (and the same will be done by the capitalist sector). To the extent that there exists a common infrastructures and a shared State apparatus, it is not a question of making physical distinctions, but rather of allocating uses and the corresponding responsibilities to each sector. We are not talking, therefore, of dualizing physical or administrative structures, but of clearly assigning contributions and benefits to the right quarters and designing programmes that are separate, yet complementary from a national standpoint, based on the recognition that the economy is made up of three subsystems that obey different logics.

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 economy, with its own logic, but open, and with collective interests that may differ from the interests of capital, yet establish mutually beneficial relations with that sector. To begin with, human capital development will result in the availability of a labor force with the skills required for international competitiveness: what is more, based on present circumstances, growth of the capitalistic corporate sector is not necessarily negative for the popular economy. Conflict arises if one tries to base private accumulation on the sacrifice of the popular sector, or if the appropriation of natural resources or public

property does not take into account the requirements of the popular economy.

5. The politico-democratic meaning of building a popular economy

The broad definition we have adopted of this possible popular economy and its basic socio-economic substrate (comprising much more than population segments characterized by extreme poverty or the informal sector) is politically motivated, in two senses:

First, because it is conceived as part of a project to enhance the capacity of popular sectors to control the conditions of their life, either through direct management by them or by means of their leverage in the democratic system that determines State policies;

Second, because, with greater material autonomy, the popular majorities can contribute to an effective democratization and stabilization of the political system, becoming a fundamental component of national self-determination, without which it is virtually impossible to influence the necessary transformations in the international order.²⁴

Accepting, instead, the principle of focusing on extreme poverty would mean that the “popular” sphere does not include the middle segments of the population, technicians and professionals, skilled workers, etc. Such a segregation would tend in fact to reduce popular action to the assertion of demands vis-à-vis State and to perpetuate dependency on “outside” donations and services or the availability of limited credits that are difficult to repay. Above all, it would be tantamount to renouncing the development of forms of organic

²⁴ In this regard, it is essential to re-examine the opposition toward the State that is accompanied by an equally unsustainable idealization of civil society. Whenever conditions are favorable, NGOs should consider the possibility of strengthening the capacity of State agencies to design policy more autonomously, rather than adhering passively to that of international agencies. Otherwise, policies begin in fact to be designed at the global level, which up to now has not yielded good results for Latin America; what is more, this makes it more difficult for the majorities to question them, much less participate in their design. For an analysis relating to the case of education policies, see the study referred to in note 1.

solidarity that might go beyond the mere mechanical aggregation of similar and therefore potentially competitive interests and provide a solid ground for the constitution of autonomous collective persons.

In order for an alternative plan for development or societal transformation to spring up from the popular camp, that camp must previously or simultaneously gain relative autonomy in its material and cultural reproduction, and in order to do that, it must constitute a popular economy capable of self-sustenance and self-development in an open relationship with the capitalist and public economies. Such an option is ruled out for a segregated stratum made up of “informals” or the needy. And most of all, no contribution could thus be made to a civilizing alternative such as that of human development.

To be dynamic, the popular economy must include elements which, while socially, organizationally and technologically heterogeneous, are complementary. It must embrace, for example, the national universities and their technological centers, NGOs, social movements such as neighborhood and union movements, youth, women’s liberation and consumer movements²⁵, movements with distinctive ideological foundations, such as grass-roots church communities, etc. It must include subsistence networks and networks of cultural and scientific exchange, organizations usually recognized as productive and others generally not recognized as such (the popular education movement, for example, or cultural or sport clubs).

The popular economy must resort not only to the mobilization and management of resources of a mercantile nature, but also to the generation and mobilization of resources (such as the energy of the young, in order to teach reading and writing or conduct immunization campaigns, or of neighbors, to offer each other security or clean up the environment) that involve not monetary incentives but a cultural struggle to bring personal or group motivations into line with community and social objectives. However, it is not possible to replace the market entirely, and the popular economy must seek forms of efficient mercantile action in keeping with its goals.

²⁵ The philosophy of international consumer movements may be in line with the human development proposal, and this may lead to the mobilization of considerable economic and political resources in both North and South. See, for example, International Organization of Consumers Unions (IOCU), El poder de los consumidores en la década de los noventa (Santiago, 1992).

Total autonomy is impossible and even undesirable: thus, what is involved is the linking up of household, community, local and national popular autonomy levels with levels of heteronomy coming from the national and, to an ever-increasing extent, international capitalist system. In any event, autonomy cannot be postulated as a condition precedent for efficacy, but must be gradually built on the basis of effective proposals which constitute an alternative to dependence on trickle-down from the growth of international capital

In order to advance in this relative autonomy, which implies greater and greater control over the conditions of reproduction of biological and cultural life, it is essential to overcome "immediatism" and fragmentation and set up *projects for social development starting from the grass roots* projects that go beyond the view that the principal means of control is ownership of the means of production. Indeed, attention must be drawn to the importance of democratically influencing policies of the State or of agencies that allocate resources, and of exerting a unified economic force on the market.

Given the project-like, but also political character of this proposal, there arises a tension here between the pressure of urgent needs and the prefigurement of new relationships. This tension usually appears represented, on the one hand, by private popular agents and even their grass-roots organizations and, on the other hand, by theoreticians, researchers or politicians and their organizations, from NGOs to political movements and parties, which seek to impart a strategic direction to popular actions. Bringing the two elements together is fundamental if one is to advance in human development.

By combining action and thinking in one and the same process, one can create that collective process of learning on both sides, without which there will be endless repetitions of the dichotomy between reactive masses and leaderships in possession of "the truth". In this, help will be provided by a process of expansion of the range of practical situations which, on being problematized, question the life-world (in other words, the unconscious and therefore unquestionable), enriching the conception which the popular sectors have of the world and prompting the setting of more and more ambitious goals, yet without abandoning the characteristic pragmatism of daily life.²⁶

²⁶ On example of this qualitative change is that of a community that begins to look at the problems of its environmental situation, ascertaining the need for collective management to control externalities harmful to health or to actual production. Or that

This process is accelerated, however, if it is buoyed up by *successful economic experiments* that gradually give participants confidence for undertaking other tasks. In any event, the subjective aspects, the constitution of a heterogeneous popular individual who is democratic in his inmost self, cannot be taken for granted, but are rather a possible result that can be achieved only through an arduous process of understanding and of resolving the immediate problems that the popular sectors may go on raising.

The difficult task that faces political action is to start from within that social, economic and cultural substrate to develop a popular culture that is not subordinate but open to the world, combining the symbolic struggle with the struggle for material reproduction. It is crucial, therefore, not to admit any separation between the symbolic and the material. For indeed, what is involved, among other things, is participation, ideologically, but above all practically, in the definition of the meaning of the new policies of the State, of international agencies and of NGOs, but also of the very economic activity that makes up the widespread experience of the Latin American popular sectors.

For popular culture and popular economy to become autonomous, they must be articulated among themselves. It is not a question of creating institutions and imposing superior values, according to some practical rationality, on the "cultural front", while working instrumentally on the "economic front" in order to achieve material survival. It is rather a question of moving forward in a multivariate learning process in which new values and institutions will also gradually arise from the practice of economic reproduction.

This task can be undertaken only by multiple agent (politicians, promoters of development, social and corporate leaders, social workers, researchers, pastors, technicians and professionals, artists,

of a community that takes up the issue of machismo as a problem of women and men, or of the community as a whole. Or that of a community that feels the need to thematize the hierarchization of shared needs (and rights). Or that of an urban supply network that realizes the need to mesh more organically in its exchanges with rural communities, taking up at the same time the problems of those interlocutors. Or that of a community that implements procedures for controlling competition among its members, with the idea that it may affect the survival of all. Perhaps one of the region's most outstanding examples of self-management is Villa El Salvador, in Lima, with 250,000 inhabitants organized into more than 3000 organizations and its own district government (Equipo Técnico de la Municipalidad de Villa El Salvador, Mapa Social. Villa El Salvador y su proyecto popular de desarrollo, Lima, 1989).

educators, etc.) included in a broad cultural movement that embraces multiple organizational forms (both traditional and new) and dimensions of social action, includes multiple identities of the “popular” and tolerates unsynchronized rates of advancement (admitting numerous points of initiative, which may even take turns maintaining the momentum, without there being any need for premature and perhaps ill-advised centralization), while the experience gradually sinks in and reflection little by little renders the overall movement intelligible by developing a new social paradigm.