

# OBLIGATION

---

# AGAINST

---

# POVERTY

---

Sergio Bitar

*Position of the Chairman of the Party for Democracy, SERGIO BITAR, against Overcoming of Poverty in Latin America and the Caribbean, La Serena, 20th October 1992.*

While the world over, the preoccupation and the will to confront the theme of poverty is growing, in Chile we may affirm that there has been a consensus of all the political sectors on the need and real possibility of working to overcome it within a short period.

In the recent past we have lived through various stages and today we are entering a new one. Until 1990 so much energy had been expended in the political field, on putting an end to the dictatorship and restoring democracy and in the economic field, on overcoming the recession that derived from foreign debt and from policy of economic liberalisation without protection.

Our conviction was then incisive: we had to win democracy to reclaim our freedom and among all, to become master of our destiny, implanting the respect for human rights and solidarity among people. It is on that basis, that we can face the challenges of inequality and poverty.

From 1990, the Government of Reconciliation fixed a priority objective: reconstruction of democracy, setting up its juridical-institutional bases, re-establishing the climate of confidence in democra-

cy, lost previously. For this purpose, the handling of its economic policy was also carried out, centering itself on two basic goals:

- (a) Showing capability of efficient management, with maintenance of the macro-economic equilibriums and growth.
- (b) Paying the social debt.

During the four years of democratic government of Chile we have obtained better results than imagined when we executed the Economic Programme in 1989. Growth, employment and high investment, reduction of inflation, increase of social expenses and public investment and growth of the real income of the poorest are unquestionable results.

Today we are facing a new stage that will have to be expressed in a change of the priorities for next government. Such a change is necessary to respond to the confidence the citizens have placed in democracy and the process of reconciliation. The priority will have to be the guarantee of a dynamic economy with strong emphasis on social investment, equality of opportunities and substantive

reduction of poverty that still affects more than four million Chileans.

This change of priorities is not only a national phenomenon. The end of East-West conflict polarising the post-war world has opened the eyes to the grave inequalities existing within each country. These realities will develop and become conflicting themes if there is no political will and a social and technical capacity to work.

Not only in Latin America, with its 180 million poor, is the situation acute. In 1990 in United States 14% of the population was below the poverty line while in 1980 it was only 11.5%. The rate of poverty among children reached 21% in 1992.

The difference between the richest and the poorest segment of the US increased from 10-12 times between 1980 and 1990.

Chile has advantages and a new way has been opened

In relation to other Latin American countries, Chile possesses an advantage: we have won over a democratic space and a balanced and open economy.

While rejecting both neo-liberalism (which exacerbates inequality) and irresponsible populism, we must find a new way.

We achieved much success between 1990 and 1993. But it is not enough that social expenditure is on the rise. We have to ensure it's efficiency and that it has a position impact on the quality of life of the people, families and social groups to whom it is directed. On the other hand, we know that it will not be possible to increase social expenditure continuously. Today we will have to incorporate new focuses. It is necessary to articulate a new thinking that can obtain the support of the majority.

We have the opportunity to reconcile the vitality of the market and competition with the improvement of the quality of life, solidarity and ecological sustainability.

A new way has emerged, thanks to the technological change, the globalisation of economy and the revaluation of potentiality and creative capability of specific people. The new variable is the critical, innovative and creative knowledge and education as a factor of increase of productivity, with the introduction of new technologies.

This factor permits breaking the vicious circle — low productivity — low remunerations — poor competitiveness — slow growth. We may today aim at a virtuous circle as a result of a deliberate effort where one finds the energy and individual initiative of the people and the efforts of the whole of the national community to raise productivity and thus sustain the increase of incomes and the growth rate. This is a valid option for a young country with an open economy.

This new dynamic may be powerful to counter and defeat the "conservative" thinking which maintain growth and equity are incompatible with each other thus advocating the "trickle down" approach.

And one should also reject the authoritarian technocratic option which negates the ethical and humanist content of equity, reducing it to a mere economic cost of attaining, consolidating and perpetuating political power.

Today we know that the improvement of the living conditions of the majority is not only a political and ethical objective, but a requirement for sustaining a stable and firm growth. The social investment, the equality of opportunities, the solidarity and the elimination of poverty open a way to a human potential that is blocked. It is not only a necessary condition for the democratic stability, now it is also a necessary condition for growing rapidly and improving the life of the people.

**Basic Criteria for a New Policy against Poverty**

We know that there are no theories, truths, foolproof methods to achieve immediate results.

In their absence, we must be guided by basic criteria. Some evident ones do not need elaboration: stable growth, macro-economic equilibriums, increase of investment, especially in infrastructure and protection of the environmental equilibriums.

In addition to these, we consider the following criteria as important in inspiring the policies of the future that must be integrated into the Programme of Reconciliation.

- (a) The economic and social policies must increase the autonomy of each person instead of his dependence. This signifies permitting the development of each citizen, and particularly, children and

youth, of their capacity, enhancing their role in the economy qualitatively and quantitatively. In other words human capital as a motor of growth. The subsidiary/ assistential policy does not help display the potential of each person, does not induce a change of behaviour towards a greater autonomy. On the contrary, it castigates the very effort, not giving it an incentive and repeating practices and relations of dependence and state clientele. It is a question of "internalising" in each citizen the social investment and displaying his enterprising capacity.

If poverty is the impossibility to self-sustain and satisfy the social needs by working then we have to create in the people the capacity for overcoming that difficulty.

- (b) The policies must aim at a **stable and qualified participation in the market**. It is a question of reducing or eliminating the number of citizens unfitted for participating in the regular economy because they do not have ability, information, stimulus, health or minimum personal stability.
- (c) The State and the private sector must create a **network of basic social protection** to protect the most vulnerable in the following cases:

- destitute sectors which do not achieve a minimum for surviving and least for being fitted, finding themselves in a situation of structural misery.
- most vulnerable sectors of the third age, children, housewives where a great proportion of poverty is concentrated.
- workers and their families in a crisis situation due to temporary retirement or due to depression and/or shut-down of productive activities.

We therefore need a policy of "active employment", information and safety from unemployment as well as a policy reconversion in the areas and activities which are declining or being shut down.

**Areas of Priority Action**

How to equip each one with a "proper motor", of a proper capacity to be integrated into a dynamic economy?

The priority areas must be:

- (i) To raise the educative effort and the capacity, public and private. To concentrate on the hard nucleus of the unemployed, youth with meagre and

precarious insertion into the Labour market. Also to concentrate at pre-school level where there are the greatest deficiencies.

To raise especially the quality of education to obtain a better productivity. The economic growth of Chile will depend in the years to come on the increase of productivity plus in increase of work force. To grow between 6% and 7% per year the average productivity per worker will have to increase 4% per year which has never occurred in Chile. In the 80's the productivity per inhabitant did increase just a very little. In the years to come, the picture will be totally different.

- (ii) To reform the health system of today that tends to polarise and weaken the quality of the attention to the poorest. We must also ensure that the service provided by the public sector is of high quality. The best way to achieve this goal is the creation of a **mixed sector** by integrating the public and private sectors. The other methods as **decentralisation of the public services ending with subsidies to the private sector**.

- (iii) A more intense support to the **small and micro-enterprise, urban and rural**, with financing, technical assistance, co-ordination for marketing and exporting. In those enterprises more than 50% of the work is absorbed and it is there, where lesser productivity exists.

The FOSIS is a successful experience which today, regrettably, has meagre resources. In 1989, on launching the Programme of Reconciliation, we thought of going much farther. The resources and the FOSIS scope have to be widened, with a decentralised logic in each commune of the country, and as a "seed" factor for impelling self-sustaining activity.

- (iv) To Concentrate on the effort of **investment in social equipping**. The quality of life deteriorates in the cities and in the villages and affects the poorer and the poorest. It is necessary to revert the irrational use of lands, set up more green areas, improve the infrastructure and the urban transport, instead of the private one, make controlling plans, installations for sport and culture. Also to

be equipped with electrification, paving communal services, clean waters, recycling garbage. There has to be equipment too giving more safety to the ordinary people.

This policy increases communal life and destroys inequality. Likewise, it contributes to the protection of the environment. The effort of investment in housing must be re-oriented today to the social equipping for a better city.

- (v) To carry through a reform of state apparatus for raising the efficiency of the social expenditure and investment and for increasing the efficiency public management and reducing bureaucracy.

The speed of attack on poverty will depend not only on the volume of resources but on the efficiency of their use and efficacy of their products; on a redistribution in favour of the poorest and, in general, on policies of positive discrimination as a form of operationalising the public effort to dismantle the various "chains" of exclusion, segregation and discrimination.

The efficiency will have to be raised by the very beneficiaries. It is necessary to build relation among those granting the services and those receiving them. The notion of protection of the rights of the consumer is also valid for the services the State gives.

A new style must inspire the public-private relations. It is necessary to decentralise power and management. It is also possible to go beyond the privatisation of services, towards enhancing the controlling, orienting and overseeing activity of the public sector.

More privatisation and decentralisation of the services, more strategic direction and public regulation. And also more participation of the people to evaluate and control the private and public bodies that provide services in order to enhance their quality and efficiency. The case of housing is obvious. The privatisation of construction must be accompanied with a controlling plan and with a quality control by the State and the users neither of which does not exist today as they must be.

#### **Institutional Changes to confront Poverty**

Economic measures are not sufficient. It is necessary to integrate the economic,

social and institutional policies into a global focus.

In three institutional themes we must create new requests of participation. In the past, we thought that the organised social subjects (trade unions and others) would be the vehicles for negotiating and correcting the inequalities. Today the societies are more diversified by way of groups and interests. The problems and realities would vary throughout the country, among the different are and gender groups. As such, we have to create diversified spaces of participation. The community must be organised more around themes and its physical position of work or housing. The community is a primary instance to grow from.

In brief, faced with a non-homogeneous, reality, of great diversity, the attack on poverty cannot be made with a centralised State and with homogeneous policies, but with a decentralised system and of high flexibility and variety with the participation of the human groups which it seeks to favour.

In the second place, the improvement of the labour relations must be a factor of stimulus to creativity, innovation and increase of productivity. This means to give a collective sense to the enterprise, dignify the worker and give him more spaces of participation.

The trade union policy must be oriented beyond the wages issue towards education, qualification, occupational health, safety of work, quality of products and quality of life.

The strengthening of the trade unions is not contrary to the growth as conservatives maintain. It is the conflict for the conflict, the exclusion, the authoritarianism of the enterprise and also the orthodox re-vindicationism. Yet, there is great space for a new work policy together with more productivity and more equality.

In the third place a reform of the judicial system is the key to overcome poverty and marginalisation. An inefficient, slow, excluding attention, indignity, feeling of insecurity before misdeed weaken the will of integration and joint action. A quick service, the local courts, for instance, a community and collaborative action to affirm security and dignity would improve substantially the future possibilities.

#### **Democracy, Solidarity, Poverty**

Democracy which we are constructing is undermined by the current levels

of inequality. Attacking the poverty is necessary to affirm democracy.

Today we have a great possibility if we think, not about liberalism and market, but about solidarity and public-private joint-action. This implies having resources and supporting at least the present tributary reform. To argue about it is irresponsible. We can discuss about the use and efficiency of the resources, not about the need to have those resources.

Equally, the enterprises must increase their effort. Greater marked freedom also assumes more social responsibility. Therefore a change of attitude on the part of the enterprises is necessary.

Based on an ample political and social consensus, we can overcome this grave debility of the economic and political system of the country.

We have to achieve democracy and economic efficiency. Let us attain it today by overcoming poverty and inequality.

*Cont. from page 3*

competitive exporter? I think this should not be the first priority. It should be to restructure the productive system in order first to meet the changes associated with the redistribution of income: more popular consumption items, more capacities to meet the needs of establishing better productive systems in the rural areas, better capacities to meet the popular needs in housing etc . . . , and less waste minority consumption (private cars and other items which are produced in South Africa in nonsensical way). I do not exclude also gradually of course introducing changes needed to ameliorate the capacity of the country to export. But I am fairly sure that the first priorities - in my opinion - as designed above will make that target of competitiveness far away from being reasonable for a number of years at least. In the meantime, the political economy of a real democratisation does imply what I call "delinking", whether the concept is popular or not.

These are in my opinion the stakes for a real democratisation. The alternative offered is: (i) more "opening", and (ii) a federal political solution. I remind that these were exactly the two main ingredients of the political economy of Yugoslavia and where strongly hailed by the World Bank again! We can see their results.