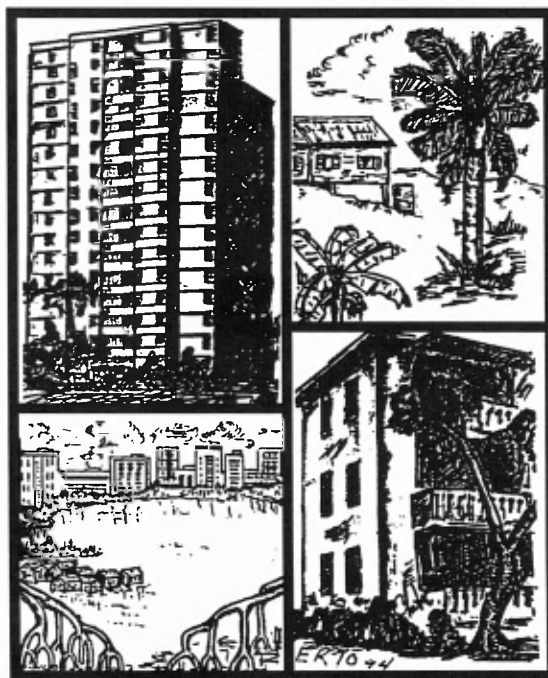


**LA POBREZA
EN
PUERTO RICO
Y
AMÉRICA LATINA**



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**ACCIONES
PARA
COMBATIR
LA POBREZA**

THE AMERICAN DEBATE ON POVERTY: THE NEOLIBERAL ATTACK ON THE WELFARE STATE AND THE CHALLENGE FOR THE COMMUNITY-ACTION MOVEMENTS IN THE '90s

Dr. Eduardo Aponte

I. BACKGROUND: THE DEBATE ON POVERTY AND THE FUTURE OF THE WELFARE STATE

The debate over the future of the **Welfare State** and social policy has tended to take place in a theoretical vacuum. Social policy is analyzed as if it were an autonomous set of institutions unconnected with the society's economy and political system in which it is set and to which it serves. This lack of theorizing is not a **realist** politically neutral approach to social policy, as it is sometimes claimed, but an implicit conservative and now the neoliberal stand for it accepts and sustain social, political and economic relationships unquestionably. Theories of society, of the state and of social policy are interrelated. The view a researcher, a policy maker or a politician holds of societal organization and of distribution of wealth and power will determine the explanation they give of the nature of social problems and of the government's response in the form of social policy measures.

The segmentation of social science theory into separate disciplines has contributed to confuse this relationship, for each specialist discipline policy annalist tends to be primarily concerned with its own domain with little reference to knowledge beyond its boundaries. This has been particularly true of social policy and welfare programs administration because of its heavy concentration and pragmatism, **empirical studies** of social problems and public policies with weak emphasis on social theory. It is impossible to understand the nature and function of social policy without an analysis of dominant social values and the social and economic political systems in which it operates. This means, that social problems are the product of a process of definition and policies are the end product of politics and legislation. An analysis of who does the definition, what and how it is defined, as well as who legislateS and in what way, is central to

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understand welfare policies in a representative democratic society (V. George & P. Wilding, 1976).

Since the last decade, there has been a great deal of debate about the crisis of welfare states in capitalist countries. Welfare states, it is claimed, are experiencing big problems of critical proportions arising from government overload and fiscal and economic difficulties. Conflict theorists and Neoliberals seem to agree that the state has become **overbureaucratized** and unresponsive to people needs. Eventually, a legitimation crisis will develop in capitalist industrial society, as the fiscal and economic problems become ever more serious the Welfare State loses voters support.

There is no doubt that governments have promoted the notion of crisis as a means to justify curtail in social expenditure, which they wish to reduce for ideological reasons. The problems arise from the lack of political commitment with the Welfare State and as a refusal to accept that retrenchment is not the only possible response to the present difficulties (N. Johnson, 1987).

During the last decade conservatism has dominated the American national politics and government policy. The Welfare State and community-oriented social programs have become the target of public spending cutbacks that goes from the city levels up to the Federal Central Office. **What has been forgotten is that the Welfare State is the only alternative that many people have during periods of economic restructuring and readjustments.** Unemployment Insurance and other income maintenance programs mitigate the negative impact of economic cycles. Community Service Programs, Medicare and Social Security are of great help to the aging in an economy that has little use for them; Housing, Educational opportunities and many special programs protect—and compensate—the needy from the negative effects of the uneven development of market economy. The American Welfare State programs were shaped, not only by the struggles of the poor, but by the greater **resistance** of businessmen and the wealthy. From a political point of view, the Welfare State programs represent an uneasy compromise between the demands of the economically vulnerable and the resistance of the economically powerful.

II. POVERTY AND THE WELFARE DEBATE

For two centuries of American history, considerations of productivity cost and eligibility have channeled the discourse about new entitlement and justice within narrow limits bounded by the market. Only a few have counterpoised dignity, community and equality as premises for social policy. They have been unable to divert the powerful currents, constraining

the possibilities for social thought and public action. During the last two decades in the debate about poverty many things still remain unsaid. The discourse about poverty, whether Liberal or Conservative, largely stays silent about politics, power and equality issues. But poverty is an issue about distribution; it is that way because some people receive less than others as a result of dominance, the way power is exercised, and the politics of distribution. Poverty no longer is natural, it is a social product. As nations emerge from subsistence, gain control over the production of wealth and generate surpluses, poverty becomes, not the product of scarcity, but of political economy. Even in the rhetoric of social scientists, as well as in an everyday conversation, poor people remain as **outsiders**, strangers to be pitied or despised, helped or punished, ignored or studied, but seldom they are considered —on the same terms as the rest of the better off middle class working person— members of the larger community. Their poverty therefore results from some attribute, a defect in personality, behavior, or **human capital** limitations.

By individualizing poverty, traditional American social scientists have contributed to the mystification of its origin and causes, and obscured its politics; that is, poverty remains profoundly **apolitical**. Debates of how to influence the level of social benefits along a fairly narrow band of possibilities pass as political discussion. On the real politics of poverty American Social Science remains largely silent. The issue is not who gets what or how goods are distributed, or about the processes of inclusion and exclusion of American life. On the contrary, poverty is not an unfortunate accident, residue or an indication that the social system missed or left behind some people; it has been an unavoidable result of the **American Political Economy (M. Katz, 1989)**.

Relatively few have tried to show poverty as whole. Among the more recent are **Harrington's The New American Poverty (1985)** and the pastoral letter on the national economy of the **Catholic Bishop National Conference** of 1986. Previous discussions were done during the Great Depression of the 1930's and the internal colonialism debate of the 1960's. But again, this was not characteristic of the way American social scientists have contended and written about poverty.

According to **Katz (1989)**, the history and outcome of the poverty discussion in America can be explained with two lines of arguments. **First**, the culture of capitalism measures persons, as well as everything else, by their ability to produce wealth and by their success in earning it; it therefore leads naturally to the moral condemnation of those who —for whatever reason— fail to contribute to produce wealth or to prosper; **second**, the silence about poverty as a by-product of political economy reflects the

prevailing ideology and the language of politics in the United States. During the XIX Century American working class politics, mobilized by the trade unions and the local political machines, failed to develop a language of class that included both economics and community (**Katznelson & Zolberg, 1986**). As a result, for over a century American political discourse has defined issues of power and distribution as questions of identity, morality and patronage. This is what happened to the concept of poverty, which slipped, unreflectively, into a language as family, race and culture rather than inequality, power and exploitation. The silence is therefore no accident; rather it is the expected outcome of the way American political discussion has deflected and framed issues of political economy for a long time (**M. B. Katz, 1989**).

III. THE CHANGING ECONOMY, SOCIETY AND THE WELFARE STATE

The American economy is undergoing a structural transformation which may turn out to be as the earlier shift from agricultural to an industrial economy was. One dimension of this transformation is the internationalization of the economy, as capital becomes increasingly mobile and foreign competition directly challenges core American industries. Another element is new technological developments which holds both, the promise of increased productivity, vis a vis the threat of substantial job losses. A consequence of this restructuration is that business has accelerated the decline of American industry by diverting capital away from productive investment to financial speculation, *i.e* the post industrial society. As a result of this, the American social structure have begun to change for the first time in the Post War era where the affluent control a greater share of wealth and income than ever before; the poor are becoming poorer and more numerous, and the middle class, faced with stagnating wages and middle income employment, is shrinking and experiencing downward mobility.

The central question then is: Who will bear the hardships associated with the transition to a post-industrial American society? Will the new global economy, the restructure of the national economy and the post-industrial economy lead to an improved standard of living for the average person, or the final result will be increased widespread poverty and community underdevelopment and deterioration? In the event of a war abroad, what are the consequences at home and, who will bear the burden?

With the current attack on the welfare state while civil society embarks on what could be a turbulent transition to a new economy, with the

possibility of more plant closing and higher rates of unemployment among the migrant-minority communities, the American Nation has become least prepared to endure the shock of transition without human suffering. The need for an **expanded** and **reformed welfare state** has perhaps never been greater, but the ideological opposition to the welfare state has never been so intense, so well organized, **and so powerfully represented** in the institutional structure of society.

The ideological attack on the welfare state is a succession of the repeated efforts of the **Business Elite** to limit the gains, not only of the most vulnerable, but of the majority of the people of the working community. In fact, the contemporary Neoliberal arguments against the welfare state are very similar to those that have been used decade after decade by big business interests and their intellectual representatives. As in the past, they warn that any interference with the **laws of the market** will harm the people in the community that were intended to benefit. That is: limit the prerogatives of employers —through minimum wage legislation, health and safety standards or unemployment insurance— and you will slow the growth of the economy, therefore reducing prosperity for everyone. In other words, attempt to help the needy and you will only succeed in undermining their morality, family life and self-respect, and so forth. These arguments are old and once more is a reflection of the historic clash of interests between the very rich and the working community that has shaped the development of the Welfare State itself.

Supporters of the offensive against the Welfare State rarely address the fact that in the United States unemployment among the poor is well over fifteen percent, and has remained at that level even during the expansionary phase of the economy cycle in each decade. Yet, they always emphasize that it is necessary to put an end to dependency by allowing them to earn a pay check, *i.e.* workfare. No mention is made of the debilitating effects of dependency on the lower-wage labor market, though there is nothing ennobling about being forced to please an employer in order to feed one's own children.

On the other hand, Democrats and ideological **Liberal advocates of the welfare programs** offered only timid and infrequent rebuttals to big business and the Neoliberal-conservative attack on the Welfare State. Instead of advancing a strong and principled defense of the Welfare State, they have fallen into theoretical and moral disarray. This can be explained by the fact that they were caught unprepared for a re-emergence of the Conservative-Neoliberal opposition to the Welfare State. Many of them consistently, and not unreasonably, were critical of the programs and community development efforts, fastening on their inadequacies and

under-evaluating their achievements. This criticism—which had its place in moments of social **welfare expansion periods**—left many of the Liberal advocates unprepared to respond to the Neoliberal conservative assault with a strong defense of the Welfare State, its democratic nature, limits and possibilities at this historical moment of economic transition and restructuring of the Nation.

III. POLITICS AND THE WELFARE STATE

In the current climate of Americans' city politics, anyone with the courage to argue in favor of an expansion of the social relief programs will be labeled as **big spender** and denounced as economically unrealistic by a chorus of different voices. Across most of the political spectrum, politicians and policy analysts accept the **realist view** that the American economy cannot afford even the existing level of social relief spending, much less any systematic efforts towards expansion. Conservative and neoliberals argue that welfare state **expenditures reduce economic efficiency**, that the nation cannot afford in a period of a possible war, federal budget and foreign trade deficits (**Block, et al., 1983**).

Despite the Congress broad consensus that have dominated the policy discussion within the Reagan-Bush Administration—and more recently the Clinton Administration and a large portion of the Democratic party as well—their position on the Welfare State is **shortsighted and antiquated**. It is **shortsighted** because they confuse increasing profits levels in the short term with strengthening the economy on the long term. They assume that what is good for big business is also good for the economy as a whole. Their premises are **antiquated** because they hold on to earlier economy periods of **free market policies** that have little relevance to an advance of post-industrial society **that is profoundly shaped by State actions**.

If the Conservative Neoliberal assumptions were right, we would expect that the more **highly developed a society social welfare programs are**, poorer its overall level of economic performance would be. However, if anyone compare the country to many countries of Western Europe—where taxes and welfare expenditures are higher than those in the United States—he would show even more dramatic signs of economic distress. Recent studies—such as **Fred Block and Richard Cloward** (*The Mean Season: The Attack on the Welfare State*, 1987); **Robert Kuttner** (*False Choices Between Prosperity and Social Justice*, 1984); **Peter Katzenstein** (*Small States in World Markets*, 1985); **David R. Cameron**, (“The Expansion of the Public Economy: A Comparative Analysis”, *American Political Social Review*, 1972); and many others authors—have found that those countries with a higher

growth of payments transfer to social programs also had the strongest rates of economic growth. Other studies (**Cameron, 1984**) failed to find a convincing link between the growth of government spending or deficits and inflation rates. In sum, these studies demonstrate that arguments that support the Neoliberal connection between welfare social programs spending and negative economic consequences such as **low growth and inflation are much too simple**. Moreover, they are part of a necessary political scheme to dismantle the Welfare State

To summarize, the conservatism behind present Welfare State Neoliberal economic policy, is build up of three main elements:

- First:** That the increase of Welfare State expenditures requires higher taxes and this discourage production investment and when taxes are higher the wealthy will have less incentives to invest since a disproportion share of the investment returns will be taxed away, therefore instead of investing, they will choose to increase **their consumption or financial speculation**. In other words, that the distribution of income produced by the market is optimal and the government's interference with market allocation of finance (Taxes & Transfer payments of social programs & community developments projects) produces less economic outcomes.
- Second:** That the assistance to the needy, the unemployed and the disabled, encourages people to avoid work and the work effort is the crucial variable in the American economy productivity and income distribution, therefore the current welfare programs substantially reduce work productivity and undermine the discipline at the workplace and the lack of discipline will reduce workers' productivity, dampening profits and adding inflationary prices. Those rising rates of labor participation occured also during the 1970's and 1980's, **therefore it cannot be explained by the more recent Reagan and Bush reductions in welfare spending.**
- Third:** That Welfare **Social Programs are a luxury** and the American society simply **cannot afford** a costly Welfare State given the fact of the size of the federal budget deficit and growing competition abroad. In this context, welfare spending with higher taxes would place the Nation's business people in disadvantage. To the extent that USA is perceived as a high taxed country, capital will tend to relocate abroad

where taxes are lower and the result would be a decline in productive domestic investment with a further aggravation of inflation and of productivity rates. Therefore, welfare programs are a drag on the efficient use of economic resources.

Hence, the conservative attack is based on the belief that the Welfare State is the cause of inflated state expenditures and swelling of government. The freedom of the individual is sacrificed in the pursuit of an unachievable equality. Moreover, it reduces incentive, absolves people from personal responsibility and encourages dependency. The absence of a price mechanism and a market discipline encourages inefficiency. Therefore, the only solution is a drastic reduction of the role of the State, a much firmer commitment to the principles of capitalism. That is, to strengthen private property (privatization), the free market, competition and profit.

The attack on the Welfare State have created a serious response and rebuttal of their premises. Various studies (**Block, 1987; Kuttner, 1980; Bowles, Gordon, Weisskoff, 1983; Eisner, 1985; Bluestone & Harrison, 1982; Dennison, 1989**) demonstrate that the assumptions behind the last decade of conservative neoliberal politics are inappropriate and misleading as well as the policy to address the economic and social problems of the American society during the eighties and the present decade.

Those who argue that investment rates, as well as the productivity rates, are lower during the expansion of the Welfare State, would be surprised if they take a closer look at the economic indicators. According to available data (**Eisner, 1985**), investment as a percentage of GNP rose from **32.2** in 1950 to **43.9** percent in 1979, and intangible capital as a percentage of total investment rose across the same period from **37.3** to **43.9** percent. According to the **Federal Bureau of Economic Analysis** (1984-86) expenditures for producer's durable equipment (capital goods) grew at a spectacular annual rate of **12.6** percent from 1952 to 1984. It is easy to figure out that improved resources for other capital goods would further undermine the claims of insufficient investment.

The Conservative-neoliberal line of argument of inadequate investment must deal with the fact that **productivity gains** are strongest when output is arising fast (**McCombie & DeRidder, 1984**); that means, that if the demand is decreasing, then output levels are not arising, then one would expect productivity to rise more slowly than in the case of a vigorous demand and accelerated rising output. Instead of the neoliberal solution of limiting government spending, expecting that private investment will increase, **an expansion of social** welfare spending would strengthen the purchasing power of the working people and the needy, which could

contribute to faster economic growth and productivity rates. Still more important, there is **no foundation to claim that faster productivity growth depends on higher rates of aggregate investment.** However, increasing demand is not a sufficient policy by itself at times of harsh competition from abroad; institutional and other structural reforms are necessary to bring together people and technology more effectively.

The Conservative-neoliberal argument that welfare programs discourage work-seeking is true, but it is also correct to say that they are **an alternative to accepting the worst kind of job on the worst terms.** The second claim—that there will not be enough people to get the job done—is rebutted by the fact that labor participation rates have been continuously rising in the USA since 1950. In recent years, work has been more appealing due to the increasing **status rewards** that derives from working. The increase in labor participation rates are the result of a massive entrance of married-women into the labor force, growing participation rates among young people, and a reduction in the exit of older people from the labor force. Those rising rates of labor participation occurred also during the 1970's and 1980's, **therefore, they cannot be explained by the recent Reagan-Bush cut backs in welfare spending.**

Other studies (Kliksberg, 1989; Sulbrandt, 1989) demonstrate that a higher public sector labor participation in the developed countries than in the developing countries. An OECD (**Organization for Economic Cooperation and Development, 1990**) study shows a correlation between the size of the state and economic growth in 115 countries during a period of twenty years. The longitudinal study reveals that along with the growth and expansion of the state, there was an increase of the domestic gross product and of the private sector. This implies a positive effect of external influence **over** the growth of the state over the rest of the economy (Santana-Rabell, 1990). These studies also demonstrate that all state institutions are not necessarily inefficient and that not all private enterprises are efficient. Given the fact that government efforts are directed to the redistribution of wealth in society, the criteria by which public policy should be measured and evaluated must be according to its nature and purposes.

Therefore, the re-definition and dismantling the state reveals the emergence of a new social contract that responds to the international restructuration of power in the world order (S.J. Pratts, 1993). The attack on the state represents an offensive from the neoliberal politics to consolidate and strengthen the free market economies after the collapse of the Soviet Union and the end of the Cold War. This offensive also represents an assault on the social dimension of the state which also entails a challenge to the political legitimacy of the representative democracy.

However, dismantling the state and reducing the civil society boundaries in a new social contract will have very deep political consequences to the power elite as was shown by the political failure of **Thatcherism** —in Britain— and the Bush government in the United States. Therefore, neoliberal political victories of the past can be explained by the rhetoric against bureaucracy, authoritarian regulations and centralization of the state but not against the welfare programs which are necessary for social control and stability of capitalist societies. There is no doubt that the Clinton Administration reform plans of the **Welfare Social Programs** will give serious consideration to the Republican political mistakes in regard to the future of the Welfare State, the demands of the needy and in the 1996 political campaign for reelection.

On the other hand, the Federal budget deficit **is a political problem, not an economic one**. It is (Block, 1987) the result of various factors, and these are:

- an accounting approach that fails to differentiate between **current** and **capital expenses**;
- a failure to recognize the validity of increased spending as a policy response to **insufficient aggregate demand**;
- a set of tax reforms that lowered tax rates on upper income families and on corporations with the belief that **inadequate investment** was a key problem;
- as a result of the Cold War and the hegemonical struggle with the Soviet Union, a wasteful defense build-up supported by leaders of the oil industry and large corporations linked to the federal government through public funding of aeronautics, arms and research.

However, if the **political will** existed to solve these problems, the resources would be available **for the expansion of the government social welfare and community development programs**. On the other hand, the USA foreign trade deficit problem is **not the flood of cheap manufactured goods** from the Third World but the failure to compete in the industrial production of high-value goods. The policy to **slow down the increase of industrial wages** are reducing the role of the public sector through privatization, are conservative-neoliberal slogans and a poor substitute for the more complex institutional reforms that are needed to **strengthen** the American manufacturing enterprises.

Moreover, from the 1970's on, the shift from consumption toward services means that **consumer durable products** are in relative terms a

shrinking market, and is responsible for a good deal of the intensity of the industrial production competition worldwide. In 1960, services constituted 46 percent of consumer purchases while in 1984 was up to 60 percent where housing (16%) represented the larger sector and cars, appliances, electronics and furniture represented a 14 percent of the consumer purchases. The shift is from consumption toward services **that can not be imported** and can be attributed to several factors, but in relative terms, it also means that consumer durables are a shrinking market, and this accounts for a good deal also of the tightness of the international trade competition. Therefore, the notion that domestic higher labor cost and lower productivity rates are responsible for the foreign trade deficit **is misleading** and would be expected that the Third World countries would be the dominant force in manufacturing trade (**Block, 1987**) and not Japan or Germany as well as other industrialized nations (Taiwan, Singapore, etc.) (**Bellan & Nossi, 1988**).

The conservative-neoliberal assumptions about the causes of the decline of the American economy are misleading. A close look at the data does not sustain the claims of a productivity slowdown, or a crippling federal budget deficit, or a dramatic competitive loss to low wage producers abroad. Rather it is the result of several factors:

- Restructuration related to the emergence of a multipolar global economy throughout the postwar period.
- The effects on the U.S. of this industrial and commercial multipolarity has been to dismantle the coherence of four elements —political, military financial and commercial— that has determined American hegemony in the world market economies.

In this context, only the military element remains unchallenged, and most of the resource-efforts are being concentrated in this element, *which only accentuates the imbalance*. **The military budget** accounts for a higher percentage of government spending in relation to a lower percentage in **social welfare** in the USA than in **any other developed industrial capitalist nation**. Data **does show** that the rich has become richer during the last fifteen years than ever before, and that the working people are disproportionately poorer. However, it cannot be denied that there are serious structural problems in the American economy, the **conservative-neoliberal common sense and the economic diagnosis** as well the policies to confront these problems are misleading and do not respond to the services needed by the majority of the working people and the minority groups. Not surprisingly, the US runs the cheapest of the welfare programs

among the most industrialized countries.

Finally, there is the inadequate role played by the federal government policy on industrial development. American industrial policy has been developed in a disorganized way throughout the postwar period. Each particular state of the Nation has its own industrial policy, but the federal government has another and they are very often in contradiction with each other (C. Offe, 1985, 1984). Therefore, today the United States are in a paradoxical situation: maintaining its military hegemonical position while economically its comparative advantages are being challenged by its various allies. This process is the transition from hegemony to multipolarity. However, **as stated before**, the key factor in this transition is industrial and competitiveness, not military spending.

On the other hand, in social policy making, a more democratic approach on economic and social policy focuses not only on welfare-state policies but also on the political processes that can shape these policies. Most citizens determine the distribution of welfare only **indirectly**, by electing representatives who as a group create or revise Welfare State programs. For example, in Educational Policy making, few people deny the importance of public schooling as a welfare good, but most discussions of equal educational opportunity plans under emphasis on the economic (as distinct from the political) benefits of schooling. Education quality alone cannot ensure a steady income or meaningful work in an economy characterized by uneven growth and structural unemployment, but it can help citizens to participate more effectively in the political processes that can have influence over the economy. Better education for the poor would tend to increase their ability to engage in empowerment political activity, which in turn could result in policies more favorable to their economic self-sufficiency personal autonomy and self-esteem (A. Gutman, 1988).

Nonetheless, this democratic liberal approach in policy making in the **Federal Educational Reform** was not even considered in the projects *A Nation at Risk*, and *American 2000*. On the other hand, the **human capital** theory and the **back to basics** curriculum prevailed in order to strengthen labor productivity, enterprise efficiency and national-international competitiveness. To expect from the institutions of the welfare state to promote and organize community development movements, may be more unrealistic than some democratic liberal theorists suggest.

IV. THE WELFARE STATE AND THE COMMUNITY DEVELOPMENT MOVEMENT: THE CHALLENGE FOR COMMUNITY ORGANIZATIONS IN THE 90's

To begin with, there are some questions we should ask. During this re-structuring of the American society as a result of the economic transition to multipolarity of the world economy, **what role** can the government take to overcome economic stagnation, community underdevelopment and restricted social services programs? **What could be the role of a community-oriented organization in this scenario?** **What strategies** could lead to empowerment and to an active role in the re-structuring process? What could be the starting point for collaborative action and a successful strategy?

A. The government's role

Empowerment Community movements cannot allow the attack by the conservative foreclose the task of envisioning **what a just democratic welfare state could be like**. Without a compelling alternative vision, it is difficult even to defend the existing inadequate programs. Social Welfare need not to be a desperate measure taken in times of community unrest and then withdrawn periodically to protect the interests of the economic elites. It could become a stable institutional mechanism to strengthen the economy and for meeting fundamental human needs, including needs for participation and meaningful self-expression of all the people and community, something ignored in the American society.

This alternative vision will have to reject the disruptions of the community endless unmet needs and aimless materialistic individualism of American society. A vision that will end with the notion that the individual has priority over the community, big business over community needs; private interest over the public service. It should envision a governmental policy that can drastically reduce the social cost (the increasing numbers of Americans living below the poverty line) and the uneven development of the economy and present policies have caused.

A reformed and expanded welfare state could be conceptualized to provide an expression of the alternative vision and democratic values. This Welfare State must address the great economic and social inequality of American society and as a community at large effort, must pursue the redistribution of wealth and a fundamental revival of citizen participation. Therefore, the reformed welfare state has to be conceptualized as the social infrastructure for a revitalized participatory and democratic society. This means envisioning programs and approaches that can capture the creative

energy and communitarian impulses of the average American, the economically vulnerable minorities as well as the poor. In other words, the present huge need for antipoverty programs to address human services — for the poor, the elderly and children— the present crisis that is proving the restructure of society can be turned into an opportunity for widespread citizen participation on many levels. This movement could start in the richer states **where the wealthy benefits most from the present policies and the poor in the cities are barely surviving.**

Therefore, it is necessary for minorities and the poor to organize at the national level and let their voice be heard on the next electoral forum with the goal to determine the 1996 presidential election outcome. Corporate victories at the polls were won by mobilizing people around nationalism, populism and regionalism with the aid of the political machines. The state of the economy, which dominated the campaign debates, was not discussed from the perspective of the problem as perceived by big business and the wealthy, but rather in terms of unemployment and inflation, which were relevant issues for ordinary people. Nowadays, these themes still matter. But as argued before, they are overshadowed by straightforward economic concerns that must be addressed directly. Thirteen years of big-business-oriented policy has not reduced unemployment, poverty, crime and social decay in the metropolitan areas.

B. The local government's role

The emergence of the local state as the principal arena of the economic and political conflict between the wealthy and the working community, confronts big business with a crisis of power and a struggle to win control over local government in the cities and small towns. The deeper expression of this conflict will take form over efforts to reverse the ideological and institutional structural developments that will make the local state susceptible to community popular influence. Unless big business is able to reconstruct the institutional arrangements that sustain their doctrine, its future efforts in dismantling the social programs will be short-lived. Economic crisis at the local government level will bring back to power political leadership and administrators committed to act upon popular economic grievances by rebuilding the city welfare programs, and even adding to its coverage of services and power. Two obstacles can be identify that will have to be avoided: **a)** the funding cuts will intensify competition for resources among local institutions, further weakening their political strength, while, **b)** popular economic demands are deflected from the national political arena and channeled into an increasingly competitive

state and city politics, sparing the national government not only the consequences of current discontent, but also of future discontent generated by the effects on the working community of on-going federal policies favorable to big business interest and power blocks allies.

If many of popular economic and social demands can be diverted into state and city politics, options for dealing with them will be constricted. State and city politics have limited influence over the economic conditions that generate wealth and poverty. They are also more vulnerable than the national level to the political power that can be exerted by mobile capital investment. This power pressure can be used to limit local social programs and community development efforts.

Hence, local government strategies for restructuring and financing social welfare programs will constitute struggle arenas between these **conflicting** interests. The role of local **politicians and administrators** in mediating this conflict is crucial to the community-development efforts. Local governments will have to continue with **budget deficits**. The Budget deficit is a structural law of public administration. Of the fifty-three budgets between 1933 and 1988, forty-two showed deficits. It might be supposed that the deficit comes from losses in tax revenues from falling profits during a recession cycle, but there is no correlation between the two, and a record profits since 1983 have been accompanied by an increase in government deficits, not a decline. The Reagan administration beat all the previous records. In 1986, the debt of the Federal Government alone stood \$2.112 trillion—two and a half times the total debt of the Third World (**Bellon & Niosi, 1988**).

What would be the role of the Community Organizations? Community-based organizations will have to become more political, organize and mobilize an united front **to resist cutbacks** in federal state and local social spending. Organized to raise a political consciousness in the Hispanic Community and other minority groups in order to develop a clear picture of the causes of their needs, poverty and inequality. A political consciousness that links the uneven economic development of the nation to the economic woes of the cities, the citizens and down to the community social welfare service programs. A grass-root level political organization movement that will develop a critical view of the nature of the problem in order for people to understand how their own issues connect with those of other people and so that they will not stop short of raising the basic problems and issues which are embedded in their own local struggles. Hopefully, from these movements a **just democratic welfare state would be envisioned** (**E. Aponte, 1978; P. Mace, 1985**).

Community movements will have to counterbalance conservative and

liberal reforms. They will have to fight for structural and non-reformist reforms (A. Gorz, 1967; E. Aponte, 1978). These are developed not in terms of what is possible within the institutional framework or budgetary limitations of the actual government administration, but in view of what should be made possible in terms of current social needs and community political demands. State fiscal crisis can deepen and advance struggles through non-commodified unproductive politics as a result of community base political movements. However, these movements will depend on two factors: First, political attacks on the state in order to channel the satisfaction of movement social needs in the market by dismantling the state programs through privatization; second, fiscal crisis that limit the state's capability for reproductive maintaining politics to respond to unsatisfied social needs and community action movements.

In short, this reform struggle for social change will have to channel and promote the advancement of people's political demands into a preparatory phase for delineating the transitional stage toward the development of a social change consciousness and a more democratic society; presupposes that community people must transform their own structure of needs and values in order for them to determine their life and the general well-being of their communities (S. Langton, 1978).

The development of community action movements will depend on a process whereby people **as a collective** becomes aware and progressively politicizes unsatisfied needs. Thus, a community political action movement depends on the process of progressive politization of community life situations to develop the necessary collective social consciousness in order to act politically and effectively as a group. The movement will depend on their **strategies, tactics and methods** for politizing community issues and unmet needs. The process of developing a community movement into political action will depend **on the success** of the organizers in accomplishing community unsatisfied needs through collective action (E. Aponte, 1978; D. Duane, 1978).

What strategies could lead to empowerment? The first step of planning a political community movement should be a community needs analysis in which members of the community themselves participate in directly expressing their life situation, the unsatisfied and unmet needs. These unmet needs will help people to develop a community-action consciousness once they realize the nature of the uneven development of the economy and limits of the state and local welfare social services. Therefore, community base organization should organize around people's own perceived unmet needs. Organizers must develop strategies and tactics, for analyzing with community people their needs in order to plan together a

joint struggle to achieve their political demands and promote political, economic and social change from a representative democracy to a participatory democracy. A period of transition in which fundamental changes in the dominant social values and in the prevailing system of economy relations will be necessary before the welfare state can hope to solve the major problems of the unjust distribution of wealth, housing, health, education and state-sponsored social programs.

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