Number 202

URBAN POVERTY IN LATIN AMERICA

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Woodrow Wilson Center
December 13, 1990

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INTRODUCTION

On December 13, 1990, the Latin American Program of the Woodrow Wilson International Center for Scholars held a one-day conference on Urban Poverty in Latin America. Twenty-five participants from academic institutions, foundations, and governmental agencies throughout the Americas attended three sessions featuring five major presentations followed by discussion periods and an after-dinner address. The presentations covered a variety of topics ranging from the debt crisis and its effect on cities to the health and welfare of the urban poor.

In his invitational letter, Latin American Program Director Joseph S. Tulchin set the theme of the meeting: the 1980s was a lost decade for Latin America. The central problem, itself a reflection of the changing global economy, was Latin America's burgeoning foreign debt. From 1970 to 1990, Latin America's total long-term debt increased twelve-fold (from $28 to $339 billion) while the ratio of that debt to export earnings rose from a favorable net earnings surplus (a ratio of less than 1.0) to a debt nearly four times greater (3.8 at its peak in 1986) than export earnings (World Bank, 1990). As a result, economic growth slowed, stalled, and in many cases reversed. Real income in most countries dropped to levels of the 1960s. Hard-won gains in health, education, and social entitlements were erased. Restructuring was the watchword of governments and international agencies -- restructuring of debt obligations, the domestic economy, state activity, and ultimately of society. As Tulchin went on to observe, "it is abundantly clear that these austerity measures are having a cruel impact on the poorest sectors in each society...the unanswered claims of the poor and the inability of the state to deal with the legitimate demands of its citizens threatens the fragile structures of democracy in many countries." The central problem posed for the conferees was to characterize the nature of Latin American urban poverty, to analyze its effects on states and societies, including its relation to democratization, and to propose specific policies for dealing with the crisis.

This report will review the conference proceedings, summarizing in turn each major presentation, featured critic, and ensuing discussion. My first task is to examine the conference and the ideas expressed there as a kind of bellwether pointing the direction of current research and policy efforts in response to the growing problem of urban poverty in Latin America. The presenters and discussants will be heard, often in their own words. Second, in a set of reflections, I shall offer some critical observations about the substance of the papers and the trends in research and policy that they reflect. Finally, I shall offer my own commentary on the important events surrounding Latin American urban poverty in recent years. My comments, drafted two years after the conference, naturally benefit from hindsight and should not be taken as criticism of individuals or the event. On the contrary, the conference raised the important questions. I shall argue, however, that in the main, social scientists and policy analysts have missed the real meaning of the crises of the 1980s that spread across the developing nations from Latin America to Africa and parts of Asia. Those events were misapprehended, I believe, because analysts framed them in regional rather than comparative terms, in conventional and neo-classical rather than global theories of development, and in economistic and state-centered orientations to social change that neglect the role of politics and popular movements. Ironically, urban poverty was analyzed from the standpoint of everyone else before it was understood from the standpoint of those who experienced it and responded to it in consequential ways. When these same events are analyzed in a comparative framework that focuses on the intersection of structural change and political action, a rather different interpretation emerges about the meaning of the 1980s and the direction in which we are presently headed.

A SUMMARY OF CONFERENCE PAPERS AND DISCUSSION

1. Alejandro Portes, "Latin American Urbanization During the Years of the Crisis"

The opening presentation of the conference appropriately provided an overview of how the economic crisis of the 1980s has affected the *process of urbanization* -- whether, for example, declines in the terms of trade and product per capita "reinforced urban primacy, class polarization, and other features described in the research literature of the past decades or whether these effects moved the process of urbanization in a different direction."

Any systematic effort to evaluate these questions in 1990 immediately runs up against the problem of available time-series data. The paper that Portes presented at the conference, moreover, was actually published in 1989, meaning that it was probably written in 1988 or earlier when officially published sources (e.g. the World Bank, ECLA, ILO) would be no more current than the mid-1980s at best. This means that uniform comparative evidence on Latin American urbanization would cover only the first few years of the crisis which is conventionally dated from 1982. In order to address this problem, Portes combines official statistics with particular surveys and in-depth studies carried out by various colleagues working in three cities selected for reasons of contrast and practicality: Bogotá, Montevideo, and Santiago.

The first and perhaps the boldest result of Portes's research is that rates of urban primacy, which had been rising as long as data were collected, and dramatically so in the decades since 1950, appear to have leveled off in the early 1980s. This is not to say that urbanization *per se* has declined. The proportion of Latin American national populations living in cities continues to increase. But the largest, primate cities now contain *declining shares* of the total *urban* population. "(T)he primate city growth represents a declining fraction of urbanization. In a number of countries, secondary urban centers, including mid-sized cities, have taken the lead in urban expansion." This result characterized the majority of countries, although several including the focus cases of Chile and Colombia were exceptions. Closer inspection of developments in Bogotá and Santiago, however, suggests that the capital-city growth rate is decelerating by contrast to other cities, a trend which should soon be reflected in declining primacy.

Portes's second major claim is that class polarization has diminished during the crisis years. Generalizations about changing class relations are always difficult to establish and Portes has had to use his wits in this matter. One indirect method for estimating class polarization examines spatial polarization measured by population densities in the metropolitan area. As population density goes down, class polarization (in space) goes up. That is, for example, if the urban poor and recent migrants are being forced out of the city to segregated peripheral settlements, then central city densities should be constant or declining. Instead they are increasing substantially, suggesting that the various classes are living cheek-by-jowl in the central areas. Class polarization, at least in terms of physical segregation, therefore, may be decreasing.

But this is an indirect measure subject to several interpretations of population density and its relation to social class divisions. For that reason, Portes turns next to an examination of actual settlement patterns in the three focus cities drawing upon local studies that map shifting neighborhood boundaries. Illustratively, "the north-south axis in Bogotá has symbolized the underlying class structure." Recently, however, the lines separating these zones have blurred. "First, middle-income groups have become displaced toward Bogotá's south and southwest periphery....Crossing the symbolic north-south demarcation line was prompted by the need of many middle-income groups for affordable housing at a time of growing economic scarcity....Second, working-class settlements also expanded in the north....Settlement locations near upper- and middle-class areas have always been prime locations for the poor because they afford greater opportunities for casual employment. This attraction became stronger during the 1980s because of growing difficulties in finding or retaining regular jobs as well as increasing transportation costs....Third, a broader socioeconomic mix in the metropolitan area has been facilitated by the District of Bogotá's changing policy on pirate subdivisions, [its] recognition that unregulated settlements represented effective solutions to the demand for popular housing."

In Montevideo, similar movements have transformed the urban geography with squatter settlement occurring in pockets within established neighborhoods and the poor returning to central-city locations for the economic advantages both locations offer. Santiago, however, persists in a pattern of class segregation as a result of deliberate slum-eradication and administrative decentralization policies.

"In sum, the pattern of spatial polarization in Latin American cities exhibited significant changes during the years of the crisis, although not in a consistent direction." Class division continued as the predominant pattern, it must be recalled. Cities like Bogotá and Montevideo experienced some amelioration of this traditional segregation as the hard-pressed middle classes moved down scale and the poor looked for economically advantageous spaces within the urban mosaic. "These unexpected trends came about not as a result of deliberate policies but primarily as the unintended consequences of efforts of groups threatened by economic downturn to find affordable housing and new sources of employment." Cities like Santiago demonstrate the opposite, and the more conventional, pattern of growing "class apartheid," in this instance as a direct result of public policy.

The third major trend that Portes observes is an increase in unemployment and informal employment. On closer examination, this is perhaps less a trend than a "mixed picture" in which real *unemployment* begins to appear in Latin American cities in the 1980s and the informal sector acts less as a backstop for the jobless in the formal economy than as a twin subject to the same cyclical movements. Previously, unemployment was seldom a problem by contrast to the *under*employment of expanding urban populations in which all sorts of niches were created by the innovative, entrepreneurial, and desperate. Lately, however, the economy's capacity to absorb more labor seems exhausted. The informal economy does not grow to counterbalance depressed formal employment. Deindustrialization during the crisis produces unemployed middle- and working-class persons who lack the survival skills to compete in the informal economy or who are simply not attracted by its marginal wages. Indeed, real urban wages have declined in two-thirds of the Latin American republics. Open unemployment is a new fact of life.

In his summary, Portes stresses, first, the tentative character of his results and, second, an explanation for the apparent pattern based upon changes in the productive structure. As the Latin American countries have abandoned import substitution industrialization (ISI) policies, by choice or necessity, in favor of export-oriented industrialization (EOI) strategies, urban industry and employment have suffered proportionately. In place of urban manufacturing that would have addressed domestic markets, the drive to promote exports focuses on agriculture (e.g. Chilean fruit production), forestry, fishing, mining, and export processing zones some of which are outside capital cities. Conversely, domestic austerity policies and internationally sponsored structural adjustment programs have reduced employment along with government spending and by enforcing privatization of state-owned firms. Third, however, Portes also stresses cross-national differences in the pattern of crisis effects and, therefore, in the role of public policies adopted in response to change. "The crisis was thus experienced in different ways by the urban working class, depending on the policies adopted by national states. These experiences ranged from stagnant wages and widespread informalization to the virtual elimination of income-earning opportunities in either the formal or the informal sector of the urban economy."

In effect, this completes the analysis. Portes has set out a clear argument. Recent data show some important new trends or shifts in the pattern of Latin American urbanization (less primacy and polarization, more unemployment and informalization) and the fundamental causes of this are changes in the productive structure (ISI to EOI), national urban policy, and international debt-related programs. Perhaps, in the first place, the trends are not well established and, in the second place, the causal arguments are mere hypotheses, but such demurs are to be expected from the scrupulous social scientist dealing with recent events.

In the last few pages of his paper, however, Portes pulls a rabbit out of the hat in the form of "urban social movements" which are "equally important" along with state policies in shaping the urbanization process and of growing significance due to the weakening of "traditional organized movements like trade unions." By contrast to the treatment of varied national urban policies and their effects on the geography of Bogotá, Montevideo, and Santiago, popular movements receive only lip service. They are not linked to the trends and urbanization processes in any explanatory arguments -- as is the case for the ISI-EOI shift. Portes seems to be covering himself in anticipation of criticism that the analysis is excessively structuralist and state-centered.

Discussion

Larissa Lomnitz opened discussion of the Portes paper by observing that neo-liberalism is sweeping Latin America, opening economies to the outside market and undermining national industry. Where prototypical informal economic activities such as street vending were discouraged two decades ago, they are now pervasive. "The downtown areas of Mexico City or Santiago resemble huge bazaars." This, in turn, reflects a diminishing formal sector and middle class -- much of the decline a consequence of cuts in the state and public employment. The middle class is suffering, newly unemployed, forced to move into working class neighborhoods, and unable to make it in the tough informal economy. Lomnitz's loyalties are revealed in the curious observation that, "Of course, we are concerned about the poor, but the *real problem* for Latin American social structure from now until the next century is what will happen to the middle class" (emphasis added). Her candor is admirable, but the analytical vantage suggested here is just as particular as that demonstrated in Portes' brief reference to popular movements.

From the floor, Mitch Seligson and Gary Fields raised questions about urban policy and unemployment. Perhaps the key question is why "open unemployment" has emerged recently in lieu of the old adaptive mechanisms of underemployment. No one knows the full answer, but Portes suggests three possible explanations: displaced workers cannot easily shift into informal jobs, informal-sector and part-time wages have dropped so low as to discourage even needy workers, and informal jobs are simply less available because formal and informal employment expand or contract in tandem rather than one compensating for the other. The possibilities invite research.

Portes's thoughtful paper raises three questions which were not asked during the discussion. The first concerns the status of the alleged trends themselves. As the paper acknowledges, the data are sketchy in many cases, the effective period of observation too short, and the available evidence inconsistent. In one of the three focus cities (Santiago), for example, the trend toward desegregation was not observed. This is about as close to randomness as one can get with three cases. If unemployment is increasing, and the data are uncertain, informality often is not, although the two phenomena were presented together as a trend. Moreover, Portes wants to have both his emerging continental similarities and his policy-determined national differences. In the end the trends are ambiguous and so also is the underlying argument.

Second, the timing of the alleged trends is uncertain. The suggestion that rates of urban primacy were decelerating, for example, appeared in a much earlier publication by Fox (1975) and was endorsed soon thereafter by Roberts (1978). Townroe and Keen (1984) anticipated by five years the argument presented here in their discussion of "polarization reversal" in São Paulo beginning in the 1970s. If these authors are correct, then declining rates or urban primacy did not appear "during the years of the crisis" and so could not have crisis-related causes.

Third, apart from the neglect of popular movements, the hypothesized relations between crisis conditions and the trends are not developed with any detail or causal muscle. The ISI-EOI shift is suggestive, even though export processing is often urban-based, and reductions in state expenditures certainly produce unemployment. But the crisis as a coherent phenomenon is not linked theoretically to the pattern of urban change, perhaps because the latter is unclear. Without a rigorous argument about this connection the paper loses some of its promise.

2. Henry Dietz, "Economic Crisis, Urban Poverty, and Electoral Behavior: An Analytical Prolegomenon"

Henry Dietz's paper centered on the interplay of two issues or levels of analysis. Consistent with the conference theme, there is the problem of economic crisis and its political consequences. More generally, Dietz was concerned with theoretical models of voting behavior and the "macro-micro linkages" that allow the analyst to infer something about social systems based on the evidence of individual (voting) acts. Peru, which experienced a transition to democratic civilian rule during the 1980s at the same time it labored with the debt crisis, provides a test case for thinking about the general questions.

Dietz claims that there are few models or available hypotheses about political reactions, generally, and voting behavior in times of crisis. Perhaps this is true, although it would not strain the astute observer to produce a number of such hypotheses by simply reflecting on recent events. Dietz, nevertheless, takes the less promising road by looking to the literature on formal models of voting behavior for clues to the present situation in Latin America. Predictably, the search is not bountiful. The work of Giovanni Sartori may provide some leads, however, particular his typology of voting models which cross-tabulates "party system" (two- or multi-party) with social polarization (high and low). In two-party systems with low polarization, voting is likely to be issue oriented, whereas voting in multi-party systems with high polarization follows along party lines.

This typology is a relatively concrete example of Dietz's more general aim to link "macro" and "micro" levels of analysis. This he does with a diagram which shows that big societal events such as "macro-economic crisis" (A) move down to affect individuals with "micro discontent" (B) which motivates "micro electoral behavior" (C) which may well up in the form of "macro political instability" (D) (or, what goes down to micro must come up in macro). The advantage of this scheme is that "the linkages (AB, AC, etc.) that connect the various points represent propositions." For example, the "AD macro-macro linkage posits the following proposition: macro-level economic crisis leads to socio-political violence," an insight which Dietz confesses is "far too simplistic theoretically." But that does not restrain him from cranking more of the same out of his congenial model: such as "BC, a micro-micro linkage that posits...individual discontent generated through economic hardship affects electoral behaviors," or the micro-macro linkage CD which reveals that "varying micro electoral behaviors may [or may not?] generate increased socio-political instability and uncertainty," and so on as long as the reader's good humor holds up.

Dietz reviews Peru's recent political history beginning with Fernando Belaunde Terry and the return of electoral government in 1980, the volatile APRA regime of Alan García, through the celebrated 1990 presidential contest between Mario Vargas Llosa and Alberto Fujimori. "Peru and its capital city thus offer a virtual laboratory for studying democratic consolidation." Yet it is not clear what experiments are proved or disproved in the laboratory -- whether Sartori's model is confirmed or some new idea emerges from the macro-micro deliberations.

Generally, Peru seems an impressive case of how the debt crisis may facilitate democratization and pitched electoral campaigns that mobilize large segments of the population (as they did for both García and Fujimori) around austerity issues. But, rather than exploring his own lively case, Dietz returns to the models in search of some result. For example, "the runoff election puts Peru in Cell 1 [of Sartori's typology, issue voting, although] the two elections in Peru obviously do not fill all four cells." The Procrustean analysis never asks what the evidence may mean in its own right, what Peru's extraordinary current political history may mean for the rest of Latin America, or whether, beyond its idiosyncrasies, the Peruvian case supports certain generalizations when combined with a number of other dramatic transformations that occurred on the continent during the 1980s. Instead, Dietz concludes that the paper's "major purpose is to suggest that the inter-relationships between and among economic crisis, political discontent, electoral behavior, and political instability are complex and that any understanding of them depends upon the availability of several different types of data." Fortunately, Dietz does provide an informative summary of electoral battles during the years of economic crisis which, as we shall see later on, complement other cases of contemporary political action.

3. Caroline Moser, "The Social Impact of Restructuring Programs"

Caroline Moser gave a brief but engaging description of how structural adjustment programs have affected households in a poor neighborhood of Guayaquil, Ecuador. As she correctly observes, "in the late 1970s and early 1980s, there was little micro level evidence to support or refute the sweeping generalizations about the social costs of adjustment." As an anthropologist, Moser examined the direct impact of economic change on the daily life of low-income families. The results are bracing.

The crisis has created unemployment, forcing men to leave the city for work in one of the few expanding industries, shrimp fishing and processing. The result is an increasing number of female-headed urban households. Men who remain in Guayaquil are concentrated mainly in the construction industry, but conditions have worsened as casual employment has replaced earlier wage and contract work. Poor women workers continue to have few options other than domestic service and here real income has been cut in half.

As a result, Moser claims, "the number of economically active members in the household is changing. The survival strategy of the low-income population is to put more people out to work." Here, as elsewhere, however, no data are presented which would substantiate the claim and provide some idea of its magnitude. It is interesting that the major study of household response of structural adjustment by Selby and associates (1990) in a large sample of Mexican cities shows that although families deploy more members into the labor force, their numbers are practically limited and average a change from only 1.3 to 1.7 economically active. Moser argues that another important adaptation to the crisis is the "extended household," including married offspring and, perhaps, renters. Although she does not explore related research, several of these developments are confirmed by Selby (1990) and Gilbert and Varley (1991).

Moser draws particular attention to changing gender relations in the urban household. "Many more women are working than were working ten years ago [and all are working longer hours]...the least mobile open front-room shops, the most mobile become domestic servants." Women are leaving the household at a higher rate, a younger age, and sooner following child bearing. Infants are frequently left in the care of their older sisters, entailing less parental control. The increasing importance of women's income has given them greater power in domestic relations, as Sen (1990) has reasoned, but the change may also create greater tension and domestic violence, a disturbing trend noted in Mexican households by González de la Rocha (1991).

Finally, Moser reports worrisome declines in consumption due to rising food costs. Some people have gone from three meals a day to just one and 50 percent say they have stopped drinking milk. Once again, the observations are corroborated by a World Bank study in Peru that found a 55 percent drop in household consumption between 1985 and 1990 (Glewwe and Hall, 1992).

Moser's paper is refreshing for the amount of original information on low-income neighborhoods in Guayaquil that it conveys unpretentiously in a short space. Although related research is not cited, where we do find parallels they tend in the main to confirm the results she reported.

Discussion

Kevin Middlebrook opened the discussion by observing that Dietz's attention to the problem of aggregation, how to move from the individual-level to societal processes, highlights the key "intermediate structures" which may operate during a democratic transition. Middlebrook did not name or describe any of these serviceable structures, but if we may assume that he is thinking about parties, unions, voluntary associations, community and church groups, then it is certainly the case that these are the agents of change. One of the striking lessons of the crisis has been a resurgence of the institutions of civil society. These, more than organizations based in the economy or the state, have mobilized people and movements for political change. Interestingly, although this argument was not developed explicitly in the discussion, Dietz summed it up when he noted that, "for increasingly large numbers of Peruvians, the formal institutions are just irrelevant. They will deal with them if they have to or if they think it is to their advantage, but other than that they will just do everything they can to work their way around them or to simply ignore them."

Middlebrook went on to note that despite the conventional fears of crisis-induced "instability," democracy seemed to be functioning, even thriving, in Peru during these years. Although he does not quite embrace the conclusion, he alludes to what I believe is the stronger argument, namely that popular participation and democratic rule have prospered *because* of the crisis. I shall return to this point in my reflections.

In the discussion, but not in the papers, it was revealed that both Dietz and Moser have done longitudinal research on communities in Peru and Ecuador respectively. Its a pity that more of this experience was not included in the formal presentations because it bears directly on the conference theme of crisis effects on urban poverty. For example, in return visits to her Guayaquil neighborhood in 1988, Moser found that there was far less squatting and that earlier squatters were subdividing their small plots. Lima neighborhoods that Dietz has observed over twenty years are presently more stable as people are staying put in homes located close to work sites and short transportation routes. Dietz's contributions to the discussion shed more light on issues of urban poverty than did his formal paper on models of voting.

Moser's lively account of changes in Guayaquil households leaves some important questions unresolved. Although we read with interest of shifting domestic power relations, women and children going out into the labor force for the first time or at younger ages, and domestic conflicts over meager resources, one is soon reminded of how Oscar Lewis (1959) painted much the same portrait in his direct descriptions of Mexico City's urban poor in the 1950s. The question Moser must address is whether her observations do, in fact, represent a change by contrast to some earlier period and, if so, how that change is inferred from the evidence. When did the pattern of household employment begin to change and what direct connections exist between the changes and the crisis. In this respect, Moser has the same unfinished task as Portes.

4. Gary S. Fields, "Poverty and Inequality in Latin America: Some New Evidence"

Gary Fields takes us from a first-hand, if impressionistic, description of Guayaquil to a systematic, though archival, review of the statistical evidence on Latin American poverty and inequality. The distinctive feature of Fields' undertaking is the rigor with which he culls published sources in search of evidence that reliably speaks to the current and *changing* condition of entire national populations. From the welter of national, local, international, and university research projects on the socioeconomic condition of Latin America, Fields selects only those reports which meet three exacting criteria: the data must be derived from actual household surveys; they must include longitudinal observations; and they must cover the entire nation, rather than selected regions or cities. Application of these standards to a large number of research studies yields a reliable portrait for seven countries: Brazil, Colombia, Costa Rica, Guatemala, Mexico, Panama, and Venezuela. An appendix explains where the gaps lie in data sets on the other major countries that disqualify them for this "quality data" sample.

Fields results are provocative. The 1980s *were* a lost decade, he says, although the evidence is not uniform. First, with respect to poverty, whereas the percentage of persons living in poverty had been declining in Latin America during the 1960s and 1970s, that trend stopped in the 1980s. Three countries (Brazil, Guatemala, and Venezuela) had higher poverty rates, three were unchanged (Colombia, Costa Rica, and Mexico), while the exceptional case of Panama actually showed some improvement.

Changes in the rate of poverty are directly correlated with economic growth. When poverty is increasing it is because economic growth has slowed or stopped. Conversely, when the Latin American economies were growing in earlier decades, poverty *was* declining. That is, it was not true, as some critics claimed, that the poor got worse off during periods of unequally distributed economic growth.

Second, Fields' results confound conventional wisdom by showing that inequality did *not* increase during the 1980s in tandem with poverty rates, but remained essentially unchanged. Stated differently, and perhaps more surprisingly, the economic costs of structural adjustment were spread evenly across income levels. In previous decades, income inequality had followed a variety of patterns: first up and then down in Mexico, up and then level in Brazil, down and then up in Costa Rica, down over time in Colombia. The importance of this varied pattern, as well as recent stability during the crisis, is that it refutes Kuznet's influential generalization which holds that the process of industrialization and economic growth produces greater inequality in the early stages and decreasing inequality later on. Latin America, according to Fields' evidence, does not support this virtual axiom of developmental economics.

Third, using a set of just three countries, Fields examines the relationship between poverty and other indicators of health and social welfare: infant mortality rate, life expectancy, and (primary and secondary) school enrollment. Here, again, the results are varied. In Brazil, where the incidence of poverty increased during the 1980s, all of the welfare measures showed improvement! In Mexico, where the poverty rate was unchanged, all the social indicators were improved except primary school enrollment. In Costa Rica, a nation with previous high marks on these measures, there were setbacks on infant mortality and school enrollment, but improvements in life expectancy. Overall the results are mixed and the social indicators do not track poverty. In a fair number of instances, health and welfare conditions were improving. "We must therefore conclude that these social indicators do *not* show that the poor were hurt by economic decline."

A lengthy set of appendices follow these conclusions allowing the reader to examine the evidence directly. Fields' empirical work is commendable. Yet he is strangely silent on the meaning of his hard-won data. In the previous pages, it would seem, Fields has challenged a "developmental law" laid down by a Noble Prize winner, refuted the jeremiads of a generation of underdevelopment theorists, and unhinged the argument of modern critics of the inequities built into structural adjustment programs. But none of that moves Professor Fields to discuss the substantive importance of his data.

5. Nora Lustig, "The Incidence of Poverty in Mexico, 1984: An Empirical Analysis"

Nora Lustig's paper deals with a number of issues surrounding the measurement of poverty in Mexico using the 1984 Income-Expenditure Survey conducted by National Institute of Statistics, Geography, and Informatics (INEGI). What are the effects of measuring poverty with different techniques? How do those results compare with the estimates produced by other researchers? And, in more substantive terms, what proportion of the Mexican population can be described as "hard core" and "moderately" poor by these measures? Lustig confines her analysis to the 1984 survey of 4,735 households (and some seven thousand individuals), focusing on income rather than expenditures but without longitudinal comparisons.

The measurement of poverty involves two considerations, the estimating technique and the selection of a poverty line or threshold separating the poor from the non-poor. The measures include, first, a "head count" or the proportion of the population with incomes below any given poverty line. The trouble with this measure is that it gives no sense of how the poor are distributed below the line, or how severe the poverty is. Second, the "normalized poverty gap" provides an index that is a continuous function of income and reflects the average income shortfall of the poor (or, arithmetically, "the total amount by which incomes fall below the poverty line expressed as a percentage of the poverty line multiplied by the head-count ratio"). Even though this measure is continuous, like the head count it says nothing about the distribution of poverty below the line.

Therefore, Lustig adds a third distribution-sensitive index taken from a study by Foster, Greer, and Thorbecke, and in their honor called the FGT Index, which "can be interpreted as a measure of society's aversion to poverty" because it attaches greater weight to the poorer cases in a sample. Finally, each of these measures is computed using several poverty lines ranging from "ultra" to moderate cut off points.

As one would expect given the wide range covered by the set of poverty lines (from the equivalent of less $47 U.S. to less that $207 U.S.), anywhere from one to sixty-six percent of Mexico's households (and a higher percentage of individuals) are poor depending on which line and which poverty measure is used. Using a more realistic (lower) range of poverty lines (U.S. $50-125), the three measures now run from one to forty-three percent of the households (1-53% of individuals) designated as poor.

Turning to substantive results, poverty is greater in the rural areas than in the cities and, if the rural regions are further classified as agricultural and rural non-agriculture, then the agricultural zones are the poorest of all. Logically, as the poverty line is raised for purposes of analysis, rural households make a declining contribution to the nation's total poor. Without indicating her criteria for selecting these estimates from the available range, Lustig concludes that "the hard core poor in Mexico are about 10% of the population, whereas those living in moderate poverty comprise closer to 50% of the population." Her conclusion is abrupt and leaves the reader wondering why so much attention was devoted to the methodological issues involved in measuring poverty if the point of the paper was simply to announce a few numbers to pin on the country in the absence of any cross-national, longitudinal, or theoretical comparisons.

Discussion

Daniel Schydlowsky raised the question of reliability in surveys of income distribution. The problem of drawing a proper sample alone is vexing in societies where extended and unenumerated households are common and increasing precisely in response to the crisis. How wide is the income range covered by the sample? Are the very rich and the very poor proportionately represented given the problems of finding them and gaining their cooperation? How can income be measured under conditions of hyperinflation when the purchasing power of a given income may shift substantially during the time covered by the study? How to control for regional and rural-urban differences in the cost of living? In light of these problems, Schydlowsky is inclined to trust his perceptions of a worsening situation in Latin American cities rather than Fields' survey data which indicate that inequality is unchanged. "I am not ready to throw out what my eyes and ears tell me and what I can sense in the atmosphere as I walk around Latin America....I do not fully believe the numbers."

One of the most dramatic changes that Schydlowsky reports from his walks is a burgeoning informal sector that partially compensates for losses in the formal sector through growing open unemployment. "As the recession progresses there is a change in the mix of output from formal to informal. The informal gets larger in proportion, but not by enough to make up for the influx of people, so the average income in the informal sector falls." This should produce greater income inequality rather than stability as Fields reports. The scenario is plausible but unsupported by any evidence, whether statistical or observational. It also contradicts data-based argument Portes offered earlier that the formal and informal economies do not compensate for one another but correlate. The discussion raises a fundamental empirical question about the relationship between informalization processes and changing levels and distributions of income. A number of arguments are possible here. Researchers have said all along that the informal sector is not comprised exclusively of the lowest paying jobs, but includes prosperous clandestine construction and manufacturing jobs in addition to supplemental family workers. One might reason, therefore, that the informal sector does not depress the mean income or increase the income gap as Schydlowsky infers. But the real point is that we simply do not know.

Lustig observed that research in Mexico provides some indirect evidence on the general question. The category "nonwage income," which includes both profit and income from self-employment, "increased by 10 percentage points during the crisis." This, of course, could mean various things for the overall level and distribution of income. But it does suggest that the informal (nonwage) sector *is* compensating for declining wage income in contrast to Portes's claim. Lustig provides another angle on the datum. "My hypothesis is that in Latin America during those years the worsening of living standards does not only mean a decline in income; it means that people are working more. The decline in income has happened at the wage-income level, but not as much at the nonwage income level. For instance, changes due to devaluations do not always hurt all the poor." Carried another step, these observations would suggest that greater income declines experienced by wage earners and the less poor would produce a leveling of income differences or *less inequality*. In another paper, Lustig

(1990) finds evidence for this development, but also implies that a growing concentration of wealth at the top of the income range would cancel any trend to more equality. In the discussion, Lustig also observed that the crisis seems to be generating a "new poverty" constituted by large numbers falling out of the middle class. In both places Lustig provides an interpretation of urban poverty in Latin America which is a welcome contrast to her heavily methodological formal paper.

Previously, I noted that Fields neglected to comment on a number of major issues raised by his evidence -- the claims that income inequality is unchanged by economic crisis or that the Kuznet's U-shaped curve does not apply to Latin America. The discussion alluded to these questions but, with the exception of Lustig's brief remarks, offered no analysis of whether or why the income data may defy conventional interpretation. Perhaps we just do not know and have no choice but to await more definitive studies. Yet, there is another possibility that was not raised at the conference.

Fields goes to considerable lengths in an effort to cull the research literature, identify the solid findings from national, household, longitudinal studies and reject the rest -- including the results of investigations that focus on cities. But Fields does not acknowledge that there are risks involved in this approach too, risks that stem directly from demands for a very high level of confirmation before any result is considered plausible. Statisticians recognize that there are two kinds of error entailed by setting a given confidence level for an estimate: the risk of accepting a conclusion which in fact is false (minimized with a high confidence level) and the risk of rejecting a conclusion which in fact is true (minimized with a lower confidence level), or a type 1 and a type 2 error respectively. Fields may be committing a type 2 error, dismissing the possibility that important trends may be revealed in less systematic or less conventional (non-household) surveys. Fields makes it very difficult for any new trend toward income inequality to be detected.

We will not discover the answers to these questions by escalating the demands of methodological rigor, but only by formulating substantive interpretations, robust hypotheses, if you like, and pursuing those through the thickets of evidence. The hypothesis lurking just beneath the surface of this discussion is that the crisis of the 1980s has *reduced urban income* levels but, ironically, created *greater equality* through the mechanisms of informalization, open unemployment, and reduced state expenditures. The crisis comes at the *relative* expense of the middle class, as Lomnitz noted. Those who gained during the developmental decades of the 1960s and 1970s are now losing. The urban poor may also be losing and, indeed, falling *below* the subsistence level. Selby (1990) stresses that the notion of "survival strategies" among the poor is insensitive to the fact that many of the poor are not surviving in the sense of reproducing themselves culturally -- and some are not surviving physically. Yet the middle class, because they had it to begin with, has lost more and re-entered the swelling ranks of the urban poor.

6. Jorge Enrique Hardoy, "Health and Poverty in Cities of the Developing World"

The concluding presentation to the conference was a brief and eloquent appeal for policy action by Jorge Enrique Hardoy. Drawing on his long experience of research and participation in Latin American cities, Hardoy stressed the urgency of mounting threats to the survival and health of children. The crisis has led to reductions in already low levels of health care, "(n)ational health systems in many countries are falling apart." Governments are not only abandoning the responsibility to care for the poor, they are losing the ability to collect information and analyze the very problems from which they suffer. Free-market solutions are put forward as a universal panacea, in part because states have given up even on trying to understand the consequences of the crisis. Policy is absent and remedial action at a standstill.

The crisis of the 1980s is fundamentally an urban crisis. Most of Latin America's population is now living in large cities and in the future, "the alternative between democracy and dictatorship, between representative governments and one-party systems, will be decided in cities." Yet, as Hardoy reminds us, the cities also represent a huge resource of initiative and practical experience. If governments do not have policy answers, perhaps people and communities do. "Poor people have been showing for centuries their ingenuity. Hundreds of millions of anonymous people are the true builders of Third World cities."

What is to be done? Hardoy suggests a combination of credit and citizen participation. "Perhaps, then, the most promising approach to increase the incomes and the quality of life of the poor, and thus to improve their health and decrease death rates and unnecessary suffering, is to devise the type of financial institutions that would allow community organizations, formed by people with little or no collateral, to obtain credits for their own initiatives."

To world weary "development specialists," the liabilities of Hardoy's plan come quickly to mind. Isn't that what cooperatives, selected aid policies, and small foundations have been doing all along? Is it realistic, in the sense, for example, of community financial institutions being capable of absorbing and effectively investing large sums? Have things like that ever worked, for any length of time on a large scale -- or is this a kind of urban Vicos Program?

Those questions and more can be raised without diminishing the deeper wisdom in Hardoy's approach. As he correctly notes, the urban poor built their own environment over the objection, and sometimes violent opposition, of the ruling elites and policy experts. Squatter settlements answered the need for convenient, mass, low-cost housing when governments and experts were urging costly and inadequate public housing projects. The informal economy provided employment and small-business opportunities while governments made deals with capital intensive multinational corporations. People confronted with these problems on a daily and personal basis have discovered workable solutions more often than the so-called experts.

A final irony, however, is that Hardoy does not accept the full implication of his own analysis. If popular movements have fashioned their own makeshift solutions for many a vexing policy conundrum in the past, why not now? Instead of proposing some sort of new financial institution, why not look to what the urban poor themselves are doing to solve the problems? Hardoy notes that poor people have engaged in "sacking supermarkets" but he interprets this as "increased social violence...one reaction to growing poverty," rather than as *popular political action* in support of the moral economy of the urban poor. A wealth of historical research (e.g. Thompson, 1971; L. Tilly, 1971; C. Tilly, 1975) tells us that food riots have always been about social justice and political rights, not about mere "reactions" to hard times. That discovery, in turn, harmonizes well with Hardoy's previously stated faith in the accomplishments of popular participation.

In today's Latin American cities, a democratic transition is taking place as the result of the crisis and popular movements aimed at redressing the problems of poor and middle class communities. Food riots, austerity protests, strikes, and political demonstrations are some of the means by which this movement has expressed itself in the crisis. Popular protests began to reject the costs of structural adjustment in the late 1970s (e.g. in Peru and Jamaica) before the debt crisis was officially recognized and long before development experts began to raise questions about the regressive effects of austerity programs.

Hardoy's instincts are right, even if he does not pursue them to an appreciation of the emerging political situation, to the forces behind the recent trend toward democratization. In that, of course, Hardoy is not alone. The conferees as a group seem to have confined their analyses to economistic questions, thus missing the more fundamental, perhaps more optimistic, political movements.

COMMENTARY

My purpose in this commentary is to move beyond criticism of the conference presentations by redirecting the discussion of urban poverty and the crisis. As the preceding sections indicate, the conference provides an empirical foundation for appreciating events of the 1980s and a clear analytical approach focused on economic change. The observations that follow proceed from three additional premises. First, the debt crisis and spread of structural adjustment policies is a worldwide phenomenon, not a uniquely Latin American problem. Although our focus is on Latin America, we must begin by understanding it within the *global context*. Second, vital trends in urbanization patterns, income distribution, and sectoral shifts must be carried forward to an analysis of how they affect social change through the agency of *political ideas and actions*. Third, when approached in this fashion we arrive at an *interpretation* of urban poverty in Latin America from which a vision of the future may be derived.

Latin America has played a definitive role among Third World regions in the recent transformation from the postwar era of development to the "lost decade" of economic crisis. During the 1950s and 1960s, the countries of Latin America and the Caribbean enjoyed the highest average rates of economic growth. As a pattern of uneven development began to assert itself, Latin America was the birthplace of dependency theories, the inspiration for analyses of unequal terms of trade, and the research laboratory for developmental policies such as import substitution. In the 1970s, when international lending by banks, advanced-country governments, and multilateral agencies increased twelve-fold, Latin

America and the Caribbean alone absorbed nearly half of the borrowed funds. Brazil, Mexico, and Argentina have consistently been the world's largest debtor countries ranked by the absolute size of their external obligations. In the mid-1970s, various countries in the region such as Peru and Jamaica provided the early warnings that the global economy was headed for a structural breakdown and the debt crisis was first publicly recognized in Mexico in August 1982. Latin America of the 1980s saw debtor countries attempt a regional political alliance to press for better terms of debt repayment with the Cartegena Consensus. Failing any amelioration of mounting hardship, the region has provided some of the most spectacular and sustained popular protests against structural adjustment programs. Owing to all of the preceding factors, Latin America also has been the principal test case for recent debt relief programs.

Latin America may lead other world regions in yet another feature of the debt crisis, the sheer number of publications that treat the continent's economic problems and policy prescriptions. For example, several review essays which discuss up to a score of recent books and collections have recently appeared in the *Latin American Research Review* (Sachs, 1988; Edwards, 1989; Sheahan, 1989; Golub, 1990). Perhaps the most striking characteristic of this literature is its singularly economistic focus. Volume after volume examines the macro-economic dimensions of the crisis, where the blame lies in comparisons of profligate global lending institutions and national economic mismanagement, the prospects for recovery under market-based reforms, and to a much lesser extent the shadowy issue of "political instability" as a possible consequence of austerity. Yet very little analytical attention has been devoted to the large majority of Latin

Americans who are poor -- how they have been affected by the crisis and how they have responded to it in their daily lives and political actions. With a few exceptions (Gonzáles and Escobar, 1991; Selby, et al., 1990), social scientists have analyzed the problems of debt and austerity exclusively from the standpoint of official actors. This was also true of the conference with the exception of Moser's paper, Hardoy's talk, and some of the discussion.

It will be useful, next, to integrate an analysis of popular responses to austerity with the constrained choices open to state policy and the pressures stemming from international sources. The debt crisis should be treated as a problem of Latin America's political and moral economy. In addition to the policy maker's approach to the crisis, we need to examine the experience and evaluation of policy actions as those are expressed in varied ways by popular constituencies.

Historically, the "developmental decades" of the 1960s and 1970s that fostered uneven economic growth and rapid urbanization in Latin America were also beneficial for the growing city masses. Notably, they ensured some (e.g. rural-urban) mobility by providing people a modest place in the urban economy and sheltering them from the worst effects of growing inequality with compensatory social-wage policies (e.g. food, transportation, and housing subsidies). The broad implementation of austerity measures as a condition of structural adjustment and debt restructuring in the 1980s represented an attack on the very means that made urban life sustainable.

Beginning in the mid-1970s, a new phenomenon entered on the world political stage, a form of popular protest that initially went unremarked beyond passing journalistic note because it appeared a simple recrudescence of the time-honored food riot. In July 1976, Peru, and shortly thereafter Egypt, experienced the first modern austerity protests characterized by mass demonstrations, strikes, street violence, and looting all expressed as retaliation against sharp price increases and cancellations of public subsidies for basic foods, gasoline, and education. In addition to providing the first austerity protest, Latin America experienced the highest rate of popular unrest with 16 of its 21 principal countries recording at least one uprising, and the continent as a whole contributing two-thirds of the worldwide total of protest events (Walton and Ragin, 1990).

Typically, austerity protests were precipitated by drastic, over night price hikes resulting from the termination of public subsidies on basic goods and services, proclaimed by the government as regrettably necessary reforms urged by the IMF and international lenders as conditions for new and renegotiated loans. Five deaths in the first Peruvian protest began a pattern of violence. Peru remained a hotbed of austerity protest with students and workers demonstrating against increased food prices in 1977, followed in 1978 by a march of public employees over state layoffs. This protest, though cheered on by other public workers watching from surrounding office buildings, was dispersed by police tear gas. Other areas of early protest included Kingston, Jamaica in April 1977 where demonstrations against unemployment and price rises turned to looting (Girvan, Bernal, and Hughes 1980).

With increasing frequency in the late 1970s and early 1980s, IMF "conditionality" provided the test for bank lending of new money, which soon began to dwindle, and loan restructuring for the purpose of easing debt-service obligations through lower interest rates or extended repayment schedules. Debtor countries became the experimental subjects of "shock treatments" aimed at stimulating market mechanisms and export earnings through a combination of: currency devaluation, reduced public spending, wage restraint, elimination of consumer subsidies, tariff reduction, import curbs, opening to foreign investment, and privatization of parastatal corporations.

Classical price riots are well known to European history and have occurred previously in modern Third World settings such as India, Ceylon, Chile, and Sierra Leone. To the limited extent that disturbances of this sort have been studied, they are shaped wholly by national factors and occur in isolation. The case of Colombo, (then) Ceylon is typical of these modern price riots. A revolt rose in response to the government's elimination of subsidized rice prices and, although protests recurred in 1965 and 1966, this was an issue of strictly domestic politics, having no connection with debt or with protests in other developing countries (Kearney, 1979).

The new style of rebellion that swept Latin America was different. It was a coincident wave of national demonstrations in which dissidents were often aware of events in neighboring countries. In their own words and actions, demonstrators were protesting against internationally prescribed adjustment policies -- "Out with the IMF!" decried placards and street demonstrators in Santo Domingo. The foreign debt was imposed unjustly on the poor, as Panamanian protesters asserted when they broke into the legislative palace and spray-painted "let the ones who stole the money pay!". Popular protest appeared in similar forms, and even coined the same slogans, in countries as far apart as Ghana, Zaire, Turkey, Poland, and Sudan. The symbols of protest showed the participants were unequivocal in their assessment of blame. In Chile, demonstrators opposed to the Pinochet dictatorship and its austerity policies carried banners attacking the IMF, international usury, and imperialism, as they chanted "work, bread, justice, and liberty!". In Brazil, following several austerity protests carnival song lyrics were changed to say "Hey, IMF, give me some money." Before long, it was clear that the new phenomenon was an international protest wave -- a recurring form consisting of large collective actions in opposition to state economic measures that stem from international pressures and aim at domestic market reforms to reduce foreign debt. In the vernacular, they were already well known as "IMF riots."

Austerity led to popular protest in the times and places that combined economic hardship, external adjustment demands, hyper-urbanization, and local traditions of political mobilization. The effects of protest are varied and combined with other domestic currents, ranging from negligible impacts on stalwart regimes (e.g. Chile) to collapse (e.g. Haiti), electoral succession (e.g. Peru), and hastened return to democratic rule (e.g. Argentina, Brazil). In many instances popular movements have exerted pressure on states to temporize adjustment programs and demand more favorable debt-relief arrangements from multilateral agencies such as the International Monetary Fund. The IMF, banks, and advanced-country governments, in turn, have been forced to weigh the tradeoffs between stringent repayment schedules and political instability in friendly debtor countries. The political and economic crisis of the past decade in Latin America cannot be understood without a full appreciation of the manner in which the urban poor have played a role among the key actors in the unfolding future.

What have the Latin American popular protests accomplished? This straightforward question has no simple answer. On the one hand, the events described here are still unfolding and it will doubtless require a long time before we are able to look back on the period that began in the mid-1970s and weigh its long-term significance. On the other hand, many of the actions associated with austerity protest are inevitably embedded in deeper political changes making it impossible to separate discrete cause-and-effect relationships. Recognizing these difficulties, which after all characterize any assessment of agency and social change, certain effects can be identified and their interactive relationships indicated. Five types of effects are suggested and may be described in the order of their importance for political transformation.

In the first instance, it is undeniable that a number of protests have had no appreciable effect -- at least no effect on ameliorating hardship. In some cases, such as Pinochet's Chile, protests were fiercely repressed, low-income barrios attacked, and suspected dissidents jailed and killed. In other cases, palliative measures were offered to quell disturbances, such as the decision to issue food stamps in São Paulo. More important as a general pattern, countries such as Venezuela offered short-term concessions at the peak of popular unrest, only to slowly and strategically reintroduce austerity programs months later.

Second, however, a number of insurgencies successfully blocked price hikes, at least for a time, and reduced the overall scope of the austerity package. Governments frequently retained the basic structural adjustment program, but attempted to compensate for cost-of-living increases with higher wages (e.g. Jamaica, Ecuador), public works and employment stimulation (Chile, Brazil), and price freezes (Guatemala). Although these concessions were palliative and usually temporary, they lent efficacy to the protest movement and put governments on the defensive. However opportunistically, ruling groups endeavored to disassociate themselves from IMF policies and the growing perception of lender exploitation. A new mood of debtor populism entered the political realm and became a valuable resource that groups struggled among themselves to claim. The sometimes insignificant material benefits stemming from official concessions must be understood in the context of more important gains for the legitimacy of the protest cause.

Third, austerity protests contributed directly and indirectly to regime shifts that took place in several ways. In the most direct form, the state simply collapsed in Haiti where the long awaited fall of the Duvaliers was expedited by a national uprising in several waves that focused on unemployment, food shortages, and corruption. Austerity protests began in Brazil and Argentine during the late phases of military rule and sped the transition to democracy in the early 1980s -- in part because the generals wanted no part of the debt mess (MacEwan, 1985). More generally, the pains of austerity became central issues in electoral politics. National leaders such as Alan García in Peru and Michael Manley in Jamaica rode into office on a wave of popular hope that they would reverse the economic free fall -- and were ridden out for their failure to do so. A massive riot broke out in Caracas in March 1989 when President Pérez betrayed what was perhaps his most important campaign promise not to cut a deal with the IMF. Structural adjustment is a central and volatile issue in Latin American electoral politics, although it is not always clear who benefits from the manner in which the issue is exploited.

Fourth, regime changes are paralleled, and sometimes produced, by a changing structure of popular mobilization. The venerable pattern of patron-client urban politics is on the decline, not least because states no longer command the financial resources to provide cheap food and transportation, public employment, low-cost housing options, easy access to imported consumer goods, and all the mobility opportunities that go with influence-trading in a patronage system. This shift is beginning to appear in urban ethnographies (e.g. Eckstein 1990; Gay 1990; Selby 1990; Stokes 1991).

Nowhere is the change more apparent than in Mexico where one-party rule suffered major challenges in the 1980s, both at the polls and in the realm of organizational control. In Mexico and Argentina, official unions are losing their following to unemployment, the inability to deliver benefits, and the democratic appeal of rival independents (Roxborough 1989). Similar disaffection plagues the traditional political parties, such as Mexico's PRI, and even Brazil's PMDB coalition that briefly held sway over the democratic transition. In the place of waning formal institutions a number of "new social movements" (Eckstein, 1988) have captured the imagination of women, church-affiliated action groups, neighborhood groups, and independent labor.

A new kind of civil society, a set of groups relatively independent from the state and formal economy that articulate the aspirations and culturally defined rights of the poor majority, is emerging in Latin American cities. It is easy to romanticize these developments and entertain wishful trends. In Mexico, for example, the gains of the 1988 "democratic revolution" were not repeated in 1991 national elections and neo-liberal policy is moving forward with a U.S. free trade agreement. Mindful of the contradictions, it appears nevertheless that the struggle over development policy increasingly will engage the forces of civil society and the liberal state -- a state, that is, increasingly anxious to abandon its developmental and welfare responsibilities despite the claims of citizens. Ironically, the protest years have brought less of the feared "political instability" than invigorated democratic movements, a worrisome prospect for patronage politics.

Finally, the debt crisis in all of its antecedents and complexity has introduced a national political transformation in which global policy issues increasingly intrude on the state in Latin America. The consequences of this intrusion move in two directions. On one hand, as grudgingly implemented structural adjustment programs demonstrate, states have sacrificed political sovereignty to foreign banks, agencies, and governments in the interests of economic assistance. No doubt the pattern has historical precedent, but the scale has never been as great. On the other hand, states have been subject to forceful and contradictory pressures from below. The demands of their own urban poor have never been so outraged and violent. Domestic decline in the interests of foreign debt servicing offers the basis for populist appeals by varied political factions. States are forced to manage the contradiction. International agencies are acutely aware of the new demands of the poor (whom the agencies have prided themselves on serving) and are highly sensitive to charges of "loan pushing" or the implications of "IMF riots." The Latin American urban poor, in short, have been heard at the fund, the bank, and the state house. Since the peak of austerity protests in the mid-1980s, debt relief, albeit conditional on domestic reform, has become the objective of a shifting policy or "aid regime." (Wood 1986) The two events are neither accidental nor directly related. Yet it is certainly true that the actions of the urban poor (even if understood as threatening "political instability") constitute one part of a three-handed game in which that state and international agencies also influence who will bear the costs of reform.

Fundamentally, austerity protests reflect in one dramatic form the changing conditions of communities, classes, and states within the global political economy. As Charles Tilly (1975:392) remarked about earlier disturbances in Europe, "[I]n the last analysis, the food riot was epiphenomenal. Below the surface raged a long struggle by builders of states....That struggle, rather than the food riot is the real concern." Austerity protests provide a strategic vantage on crucial changes over the last fifteen years in relations between communities, social classes, and the state. At one level, the debt crisis pits rebellious slum dwellers and working classes against international financiers and their allies in the domestic economy (e.g. multinational corporate managers and exporters). The state, caught between powerful forces at home and abroad, is obliged to concede a decisive role in social policy to its international patrons in exchange for sustaining loans. In a deeper sense, however, states are actors with interests and conflicts of their own -- interests in maintaining legitimacy and power while managing conflicts in their own ranks. The state incorporates the debt crisis in a special way, absorbing the tensions of its political environment and attempting to mediate them with declining material and symbolic resources.

The social crisis plays itself out differently in each country as a result of popular mobilization and the distinctive features of states. Because they enjoy less tolerance from their creditors and constituents, small democratic states are most vulnerable to the crisis, particularly if they defy interventionist policies. As Jamaican Prime Minister in the 1970s, Michael Manley insisted that the poor would not suffer in the interests of IMF-prescribed and regressive reforms, but it was Manley's government that succumbed to a credit squeeze and exploitation of economic hardship by the opposition party. It was a chastened Manley who returned to power in 1989. In the Dominican Republic, unrelenting adjustment programs have split the ranks of labor and the Dominican Revolutionary Party. Costa Rica is the only small and democratic state to receive favorable treatment on conditionality and new loans, perhaps because it provides the United States with a rare and stable ally in the troubled Central American region.

Large authoritarian and corporatist states have been more successful at implementing austerity programs. Mexico and the Southern Cone states under military rule combined government acceptance of structural adjustment with large sums owed abroad, circumstances that generated more concessions from international agencies. Mexico has usually been the first country offered new repayment arrangements, whether they were renegotiated interest rates initially or debt relief more recently. With the transition to democracy, however, Argentina and Brazil found themselves in a position closer to Venezuela, needing to moderate austerity measures in the interests of domestic peace (c.f. Frieden 1991). Nations vary in the skill with which they have negotiated with the IMF for loan concessions. Brazil has maintained a good deal of policy autonomy while withholding debt service payments, but Peru got nowhere with this approach and Venezuela has met with only modest success in trying to convince the IMF that substantial debt relief is necessary to avoid new riots. There is no ready formula for predicting the outcome of these negotiations which determine how heavy a burden debtor nations will be required to bear. But these are the terms in which the negotiations are carried out: country-by-country political bargaining rather than economic nationalism or any "debtor's cartel."

Latin American states will continue to face a dangerous dilemma. On one hand, states are palpably threatened by popular mobilizations that demand an end to arrested development and regressive reforms. Governments have been deposed and seriously weakened by popular insurgencies. Official opposition to the IMF in some form is almost a requirement for legitimacy. Governments and opposition groups have used the crisis for domestic political gain, by among other tactics, blaming the IMF for their own mistakes. On the other hand, the keys to recovery, as everyone recognizes, include debt relief, new loans and investment, and favorable trade arrangements. Governments have to take a middle course, as the once-populist regimes of Peru, Argentina, Jamaica, and other countries have discovered.

From the standpoint of popular movements, the debt crisis has generated an unprecedented wave of protest the result of which, ironically, is not instability but new pressures for democracy. In Latin America the protest has been virulent precisely because governments had borrowed to support a developmental model that guaranteed capitalist expansion with welfare-state benefits. The moral economy of the urban poor understood that political loyalty was proffered in exchange for cheap food, transportation, self-built housing plots, and jobs. As these began to disappear, countries that combined economic hardship, excess urbanization, austerity pressure, and a capacity to mobilize in labor and community groups were the most likely to rebel. Protest was expressed according to the political contours of particular societies, in street riots, demonstrations, and general strikes, but these forms also merged and engaged the passions of the urban poor, labor, and even elements of the middle class. In a variety of ways, the rebellion produced small successes if not a reversal of economic depredations. The protesters won some concessions, forced the issue into national and international policy debates, and created a general climate demanding more democratic participation in the reform process.

The Latin American social crisis is a watershed change in which the "bureaucratic-authoritarian" state and developmentalist model are being replaced by bourgeois democratic political systems with fewer welfare state protections. The change poses many an irony and unpredictable outcome. Whether the reorganized democracies prove to be more than a constitutional framework for competitive internationalized capitalism, whether they will refashion the moral economy of development in a new vision of public responsibility and social welfare -- all these depend on how the forces analyzed here, particularly the popular movements, fare in the continuing struggle.

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