

About Neoliberalism: Responding to the Challenge*

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Introduction

This document is a response to the challenge posed by the Rectors of the Company of Jesus, on their document on neoliberalism (DP). In such sense, it intends to make a contribution from an economic perspective, focusing the topic in a way useful to find solutions for situations that, for many persons in Latin America, are indeed dramatic.

The spirit that inspires this document can be illustrated with the words of an Uruguayan analyst: "Here we have some serious problems, and the great challenge consists in finding solutions that allow to increase justice without violating freedoms. It is a passionate challenge because it not only involves intellectual, but also moral issues. But we are not going to solve it if we devote ourselves to build demons and then blame them for all of our misfortunes."

What we intend to do is to set aside the "demons", and try to formulate the economic problems outlined in the DP, so to face them from the mainstream of economic theory, in order to find the ways for an effective solution.

The document is organized as follows:

- in section 1, we present the underlying economic vision of the document;
- in the three following sections, we approach key aspects of this vision: section 2 includes an analysis of relevant economic and social indicators regarding the situation in Latin America; in section 3 we consider some conceptual aspects about markets and market failures; and in section 4 we briefly describe the structural reforms carried out in several Latin America countries and address some aspects regarding social policies;
- section 5 presents a market oriented approach for fighting poverty;
- finally, section 6 presents some conclusions and specific challenges for our Universities in the fields of economics, business and management science.

1. The underlying economic vision of the DP

On the subject of neoliberalism the DP presents an underlying economic vision. Some of the relevant ideas that portray this vision are mentioned herewith:

The economy has grown again, "communications brings us closer together, the technology gives us new possibilities of growth and creativity, and the markets penetrate all the social spaces."

"This material prosperity, that could open hopes for all, leaves nevertheless a multitude in poverty ..., it is a threat to the cultural identity and destroys the natural resources."

"The economic dynamics produced by these perverse effects tend to transform itself into ideologies and to absolutize certain concepts: for example the market ..., becomes the centre, the method and the objective that governs the human relations."

"To achieve it, the measures known as neoliberal are implemented throughout the continent."

"Neoliberalism, as understood in Latin America, is a radical conception of capitalism that tends to absolutize the market until it is transformed in the means, the method and the objective of the intelligent and rational human behaviour. According to this conception, the individual life of the people is subordinated to the market, societies behaviour and government policies as well. This absolute market does not accept regulation in any of its fields of action. It is free, without restrictions: financial, labour, technologic or administrative."

"Neoliberalism manifests itself in the adjustment and free trade policies, that with different connotations are applied in the Latin American countries."

Which are the characteristics of this policies?

- Places the economic growth as the *raison d'être* of the economy (not the plenitude of the human beings);
- restricts the State intervention, up to the point of removing its responsibility towards the citizens;
- eliminates general programmes of creating opportunities and substitutes them for focalised supports;
- privatise commercial enterprises on the basis that the State always is a bad manager;
- open with no restrictions "the borders to merchandise, capitals and financial flows", taking away the protection to small producers;
- "keep silence" about the foreign debt, who's repayment reduces the social investment;
- "subordinates the complex public finances to the macroeconomic adjustments", ... "as if the common good would follow suit";
- insist that these adjustments will provoke growth for everybody as a spillover effect;
- eliminate workers protection legislation to incentivate private investments;
- powerful groups benefit from exemptions on taxes and environmental regulations;
- "place the political activity at the service of this economic policy ...".

These measures also have positive effects:

- The market mechanisms contribute to "raise the offer of goods of better quality and prices";
- have been successful to reduce inflation;
- "removes from the governments responsibilities which are not theirs, so as to give them opportunities to deal with other aspects of the common good";
- "the general conscience of fiscal austerity that makes a better use of public resources"; and
- "the advancement of commercial relations..."

Setting aside the definition of neoliberalism and the specific comments to some of the previous statements, *the basic economic rational seems to be as follows*:

- Although the countries achieve economic growth, poverty, social inequalities and people who live on the fringe of society increases.
- The cause is the market absoluteness, that does not admit any regulations whatsoever and subordinates "the peoples life, the societies behaviour and the government's policy".
- This market absoluteness manifests itself in the adjustment and free trade policies applied by the countries (that nevertheless, in spite of all the negative aspects mentioned, have some positive effects: lower inflation rates, reorientation of government responsibilities, fiscal austerity conscience, commercial relations).

Following, these statements will be confronted with available data for the last few years, with some conceptual aspects and with proposals submitted from different perceptions of reality, with the objective of identifying challenges that must be approached.

2. Recent trends in Latin America

2.1. Economic growth

During the first five years of the nineties, Latin America as a whole shows an annual GDP growth of 3.1%. This contrasts with the decade of the eighties, when the annual growth rate was only 1.1%. This performance allowed during the nineties an improvement in per capita income, following the reduction registered in the eighties.

The countries that show stronger growth rates in 1990-95 are Chile (6.9%), Panama (5.6%), Peru (5.8%), Argentina (5.1%), Colombia (4.3%) and Uruguay (3.6%). This compares with a small increase in the two biggest economies, Brazil (2.7%) and Mexico (0.8%), country that went through an important contraction in 1995.

2.2 Poverty

In a recent study, CEPAL analyzes the evolution of the poverty levels in Latin America during the nineties.

CEPAL estimates show that the households in poverty situation decreased in Latin America from 41% in 1990 to 39% in 1994, although the number of poor people increased to 200 million. This positive relative change, which went parallel to the reactivation of the growth in many countries during the first five years of the nineties, was far from counteracting the important increase of the poverty levels registered in the eighties, when the households in poverty situation increased from 35% to 41%.

The poor population of Latin America increased from 136 million people in 1980 to 197 million in 1990 and 209 million in 1994, representing in this last year 47% of the total population in the region. At the same time in 1994, 98 million people (22% of the population and 17% of the households) lived in direct poverty. That is to say, one of each six households in Latin America cannot satisfy its basic feeding needs, not even allocating all their income towards it.

Different countries show very different situations, specially with respect to the evolution of poverty levels in the last few years. What happened in Brazil, where urban poverty increased from 37% to 39% between 1990 and 1993 and in Venezuela (from 34% in 1990 to 42% in 1994) counteracted the significative reductions registered in the urban zones of Argentina, Bolivia, Chile, Costa Rica, Mexico, Peru and Uruguay.

The CEPAL report states that the situation observed in Latin America in 1994 is a consequence of very different evolutions, of advances and recessions, be it in the different countries or be it from one year to the other during the 1990-94 period. Some countries, among other Chile and Uruguay, have been able to reduce consistently the poverty level, which at present is lower than in 1980. Panama also was able to achieve an improvement but only during the last few years. In other countries (Argentina, Bolivia, Mexico and Peru for example) the decrease of poverty at the beginning of the nineties does not represent, nevertheless, a significant reduction with respect to the high levels of the early eighties.

The growth rhythm seems to be one of the main factors behind the relative improvement. The countries that registered the rapid growth in a context of relative stability (Argentina, Chile and Uruguay) were those in which the percentage of households in a low level of poverty had a major proportional reduction. In the first five years of the nineties, these three countries were those that showed the highest anual rates of per capita GDP growth, 5.3% in Chile, 3.9% in Argentina and 3.0% in Uruguay.

Lower inflation was also an important item that influenced the reduction of poverty levels, specially in the countries that were able to rapidly reduce the inflation from very high levels.

The following chart compares the present situation of urban poverty levels, with the one existing in 1990 and the early eighties, for the main Latin American countries.

In a long term comparison Chile and Uruguay stand out, due to the significant and sustained reduction of the poverty levels since the mid eighties. In Chile, the households

below the poverty line in the urban area were reduced from a 38% in 1987 to 24% in 1994. In Uruguay, a country that shows the lowest percentages, the households below the line of urban poverty were reduced from 14% in 1986 to 6% in 1994. In Brazil, a reduction probably took place in the last two years.

In Costa Rica and Peru, poverty presently affects a similar percentage of households as in 1980, in spite of the improvements of the first years of the nineties. In other countries such as Argentina, Mexico or Venezuela, the present situation is worse than the existing situation at the beginning of the eighties, although it is expected a positive effect of accelerating growth in some of them.

The CEPAL report states that it is possible to reach real improvements on the struggle against poverty, within reasonable periods of time, if the countries achieve relatively high growth, macroeconomic stability and compatible jobs increase.

Latin America (12 countries) Urban Poverty

Level and variations during the nineties^{a/}

Poverty level in 1994 ^{b/}	Variation 1990 - 1994	Trend 1995-1996 ^{f/}	Present levels compared 1990	of poverty with 1980
<u>Low (less than 15%)</u>				
Argentina		increase +	lower	larger
Uruguay	lower +	sustained	lower	lower
	lower +			
<u>Medium (15% to 30%)</u>				
Chile		lower	lower	lower
Costa Rica	lower +	sustained	lower	same
Panamá	lower	sustained	lower	lower
	lower ^{c/}			
<u>High (31% to 50%)</u>				
Brasil		lower +	lower	lower

Colombia	sustained	sustained	same	same
México	sustained	increase +	larger	larger
Perú	lower ^{e/}	lower	lower	same
Venezuela	lower + ^{d/} increase +	increase +	larger	larger
<u>Very high (more than 50%)</u>				
Bolivia		sustained	lower	...
Honduras	lower + ^{e/} lower	increase	larger	larger

Source: CEPAL, based on household surveys and official country data

^{a/} "+" indicates that the variation of poverty level is more than 4 percentage points

^{b/} Households below poverty line (%).

^{c/} Período 1991-1994.

^{d/} 1991-1994. Estimates based on survey data.

^{e/} 1989-1994.

^{f/} Estimated evolution between the end of 1994 and the beginning of 1996, based on changes in macroeconomic indicators closely related to poverty levels.

2.3. Income distribution

The data on income distribution during the period under analyses show big differences, even in the countries with the highest growth level. As the participation in income distribution of the 10% richest population group increased, there was a maintenance or deterioration in the participation of the 40% of the poorer homes, with the exception of Uruguay. During the first half of the nineties a deterioration of the income distribution was registered in Argentina, Mexico, Panama and Venezuela and a relative maintenance in Chile and Costa Rica.

Of the five countries that showed annual growth rates above 5% in 1990-1994, two increased income concentration (Argentina, and with a lower rate Costa Rica), another

two maintained the high difference they had at the beginning of the decade (Chile and Panama) and only Uruguay registered an improvement.

As stated in the CEPAL report Uruguay remains as the exception within the region, for its lowest level of inequality, as well as a lower income concentration trend since the 1980s. The income participation of the 40% poorest group went from 20.1% in 1990 to 21.6% in 1994, whilst the 10% richest group reduced theirs from 31.2% to 25.4%.

This is to say that the poverty reduction from 1990 to 1994 did not represent a modification of the income distribution. In the countries that were able to reduce poverty, an improvement on the income distribution was not achieved, with the exception of Uruguay.

2.4. Social expenditures

Another key aspect is the evolution of the social expenditure. In the majority of the Latin American countries the public expenditure level allocated to the social area increased during the first years of the nineties. Some countries were even able to surpass the levels reached during the early eighties (for example, Uruguay and Costa Rica, amongst others).

At a global level and taking into consideration the first five years of the nineties, the social expenditures had the same trend as the GDP, but growing faster. The GDP growth reached to 14.7% between 1990-1991 and 1994-1995, whilst the social expenditure per capita increased a 27.5% in real terms.

Evolution of the social expenditure in Latin America during the nineties

Performance	Countries	Social expenditure p/c in 1994-95 (US\$ of 1987)
Ascending trend, reaching the levels of the early eighties	Argentina Chile Colombia Costa Rica México	704 291 148 383 ...

	Panamá	466
	Paraguay	...
	Uruguay	625
Ascending trend, but not reaching the levels of the early eighties	Bolivia	
	Ecuador	...
	El Salvador	128
		52
Variable or slightly descendent trend	Brasil	
	Guatemala	217
	Honduras	32
	Nicaragua	69
		...

Source: CEPAL, Panorama Social de América Latina

There is a persistent heterogeneity related to the amount of resources that the countries assign to the social sectors. In a first group of countries (Argentina, Brazil, Chile, Costa Rica, Mexico, Panama and Uruguay) the social public expenditure represents an 11% of the GDP and in terms of per capita is above the 200 dollars of 1987, with an arithmetic mean of 425 dollars. An intermediate group (Colombia, Ecuador, Nicaragua and Venezuela) has a per capita social expenditure that fluctuates between 70 and 200 dollars per annum, with a mean of 127 dollars, and the lowest social expenditure level, below 70 dollars per annum is registered in Bolivia, El Salvador, Guatemala, Honduras, Paraguay and Peru, with a mean of 54 dollars.

One of the conclusions in the CEPAL investigations, is that the magnitud of the social expenditure increased in the majority of the countries, highlighting that the major increases were registered in the countries with medium and low social expenditures.

A comparison with industrialized countries shows that the per capita social expenditures levels are exiguous. In countries like Sweden, France and Austria the average is 7.200 dollars per capita and in Britain, Germany, Canada, Japan and in the USA, the media is 3.600 dollars per capita. If we compare the situation in terms of the GDP, nevertheless, the differences are not very significative.

3. Is the market an "absolute"?

The second issue identified as part of the economic rationale of the DP, the "market absoluteness" corresponds to a vision that goes beyond economics. Probably no professional economist, including the liberals, would agree with such a definition of the market role.

In general terms, the mainstream consensus admits that the market is the most efficient organizer of the economic activity, particularly as to what to produce and with what factor combination. But this is not true in every situation. The "market failures" are specifically discussed in the theory and recognized in the real world. Some classic cases in this respect are:

- Monopolies. A monopolist can increase his profits reducing his sales, which produces a net social loss.
- Production of public goods. These goods cannot be supplied to a consumer without the benefit of all (a classic example is the national defense)
- Externalities, which are external benefits or external costs and, if not captured, lead to a level of production that is below or above the optimum volumes. Thus, in the first case subsidies can be justified and in the second case controls or taxes (eg. education as a positive externality and environment pollution as negative)
- Information. When the correct information is nonexistent, the correct market operation is distorted

The above classic examples take into consideration, for example, equity reasons. It is possible to justify the state's intervention with a social objective, since it produces external benefits (eg. the education and health).

The discussion may come up with respect to the extent of the intervention (more or less Government intervention), or about the character of the intervention (eg. if it should supply directly a service or finance a private supplier to do it). On this subject there are certainly different views and different specific experiences.

In this respect, traditionally it has been considered the State intervention as an effective way to correct the market failures. Nevertheless, this is questionable. On one side the failures are not always significant. On the other, it has been stressed the fact that, under certain circumstances, the private entrepreneur tends to act in such a way as to correct them

Also, an evaluation should be made as to what extent the states can, with their direct intervention, effectively correct the market failures. On many occasions their activity has been unsatisfactory and sometimes they introduce strong distortions, including in many cases the problem of corruption.

All things considered:

- there are no elements in the theory to support the preeminence of economics above the political systems

- nevertheless, the objectives established by the political system and the way to achieve them (that is policy implementation), should be consistent from an economic approach, so as to be able to efficiently attain them. This requires a careful evaluation of the States's role.

From a technical point of view, there is broad field for discussion about the role of the Public Sector in the economy.

4. The economic policies

4.1 - The structural reforms

The economic policies applied in the majority of the Latin American countries during the last decade, and in some cases in a longer period, have tried to stabilize the economies and to generate conditions for a sustained growth through structural reforms oriented towards market liberalization and openness to international competition

These policies have the following characteristics:

- a macroeconomic management based on tight fiscal policies and a restrictive monetary policy, both associated with the stabilization process
- structural reforms in various areas such as: trade liberalization; tax system simplification and rationalization; modernization of regulations and opening of the financial market; public sector reforms, including privatizations, flexibility of labour regulations and changes in the pension systems.

The implemented structural reforms have not had the same scope and depth in all countries.

Trade, exchange rate, tax and finance reforms are those implemented with more depth and generality.

- In the trade area, the countries have moved towards more open economies, by reducing customs duties and other barriers. In some cases, strong integration process were initiated (eg. the Mercosur), which also tend to open towards other regions and countries. The average tariffs have diminished for Latin America and the Caribbean countries from a previous 45% to the present 13%. The non tariff barriers that affected before the reforms to 38% of the imports, now only apply to 11%. This induced a strong increase in trade flows and in global efficiency in the economies, within a significative restructuring process.
- With respect to the exchange rate system, the reforms put in place the liberalization and deregulation in the exchange market and the unification of rates. This process in some countries, like Uruguay, have endured without interruption nearly for 25 years. In the region, this process was able to reduce the differential

between the market and the official rates from 72% in 1989 to 2% in the last few years.

- Regarding the tax system, the trend has been to simplify. Most countries have adopted the Value Added Tax (VAT), substituting other more distorting taxes, and have reduced taxes on corporations to international levels. A growing conscience exists about the distortions produced by the labor taxes and, in various countries the trend is to reduce their weight.
- With respect to the financial system, controls on interests taxes have been eliminated, by reducing legal bank reserves to below 20% in most countries. Regulation and supervision procedures of the financial systems have been updated and enhanced, in spite of the crisis of 1994.

In other areas, the scope and depth of the reforms was uneven:

- Most of the countries have initiated public sector reforms, with different approaches and rhythms. Privatization of commercial activities and assets, introduction of competition in monopolized activities and reduction of the size of central administrations are some of the ways adopted for reform. Latin America has made more than half of the value of privatization in underdeveloped countries, but basically concentrated in nine countries.
- With respect to the labor market, reforms have been scarce and of narrow scope. This is one of the pending issues, given the unemployment affecting some countries.
- Regarding the social security area, six countries have enacted reforms in their pension schemes, introducing capitalization systems (in some cases with mixed characteristics of pay as you go and capitalization).

These reforms have been implemented in many cases in times of crisis and had different degrees of depth and timing in each case. Nevertheless, the reform process have continued under economic crisis (for example the Mexican "tequila crisis") and through government changes (eg. Uruguay or Chile)

The implemented policies and, in particular, these structural reforms, represent important changes with respect to preexisting situations, characterized by strong distortions, such as chronic deficits in the public sector, high inflations, etc. Somehow then, the introduction of these reforms were necessary given the starting situation and the international context, mainly in the case of the small economics (eg. the Uruguayan).

The macroeconomic results show, on a general basis, clear improvements: faster growth, higher income levels and real salaries, lower inflation (in some cases drastic reversion from hyperinflation situations), reduction of the foreign debt burden, public sector and

external balanced situations. Overall, the countries that went through reforms have had a better macroeconomic performance as well as poverty reduction.

The persistence of certain problems has demonstrated, nevertheless, that the reforms put into effect do not constitute the whole solution. This situation reflects the status of the debate on economic and social policies, within the countries and at the international, public and private levels. In fact these reforms and their effects, be they positive or negative, put in evidence problems in other areas. This is the case of social and employment policies.

The reforms have produced a better macroeconomic situation, but they have not been totally successful in crucial aspects related to the people well being, specially regarding those in the lower income bracket. This takes us to the consideration of the social policies and employment situation, its perspectives and related policies.

4.2 - The social services and employment

A conventional view, which seems to be the one behind the DP, is that the deficiencies in the social services are due to resources shortages. From this standpoint, the public sector has not yet allocated sufficient resources for the correct functioning of the services. Nevertheless, evidence shows that the majority of the countries of the region already assign a substantial share of their income to social policies and in particular to education and healthcare. A comparative analysis shows that probably progress would be attained more through efficiency than through expenditures increases: mainly the problem is a matter of organization and management, rather than funding. In fact, the region assigns to education 4.3% of the GDP, which compares with 4.1% in Asia, 4.3% in Africa and 5.7% in the developed countries. The figures for health are relatively higher: 6.2% of GDP in Latin America, 3.7% in Asia, 4.1% in Africa and 7.8% in the developed countries.

On the subject of employment, the situation has deteriorated in various countries of the region, not only in terms of the unemployment rate but also in some cases of the precarious conditions of employment for less qualified workers. Among the facts mentioned as the cause of these situations are the adjustment policies put in practice, although with no reference to previous situations, international globalization, lack of skills and training, high taxation on labor, low economic growth rates and technologic innovation. All these facts, one way or the other, are related with the issue of competitiveness of the firms in the operational conditions of the international markets.

On this subject, it is important to establish the required policy approaches. In the same way as some promote a major deregulation of the labour market (they use the low unemployment rates in the USA as an example), others present the need of making other arrangements and regulations so as to protect the workers. Nevertheless, there would still subsist problems on training, adaptation to the technology innovation, competitiveness, etc., which should also be dealt with from the economic policy point of views.

Even if obvious, we must stress the direct relationship of the labour problems and the social services with the poverty and the marginalized population. This leads us to discuss the roles and responsibilities of the different social actors, in particular government, enterprises and society (civil or local community organizations) to cope with the problems in these areas.

5. Fighting poverty: a market oriented approach

An indicator of the importance given to this issue by the international organizations that support structural reforms, is the emphasis put forward in its analysis and their programmes.

It is interesting, so as to contrast with the vision presented in the DP, to focus on a market oriented approach to fighting poverty.

The analysis of the facts do not appear to be very different (from the economic point of view). It starts from the fact that over 1.0 billion people, a fifth of the world population, live with less than US\$ 1 per day (US\$ 370 per year), a level reached by the industrialized countries two hundreds years ago. The number, as well as the proportion, of people below the line of poverty has increased in Africa as well as in Latin America, the Middle East and Eastern Europe.

Experience suggests in this vision, a two track strategy:

- Sustained economic growth and of ample base, that makes an efficient use of the work factor, principal asset of the poor.
- Investment in the people, making basic social services accesible in adequate quantity and quality

The success of such a strategy depends on the different actors in a society. The dichotomy between the public and private sectors on these subjects, submitting them as different paradigms to mobilize human energies, is obsolete. The challenge for the politicians is to reach an adequate mix between public and private sectors that could efficiently promote growth and reduce poverty.

5.1 - Sustained growth of broad basis

The reduction of poverty requires a long term comprehensive approach, that should include macroeconomic and sectorial policies.

The first verification is that no country has been able to reduce poverty without a sustained economic growth. As important as this is that the pattern of growth should favour an efficient use of labor. The countries that made big progress in reducing inequalities in income distribution, have implemented policies that promote the efficient use of labor, and at the same time, offer basic social services on a general basis.

On this issue, experience suggests a market oriented approach to development. In a general way, it stands out a strong link between human capital investment and less public intervention on one side, and a better economic performance on the other. The investment in healthcare, nutrition and education of the people has a high return to society.

The promotion of growth with an addequate rithm and profile may take some time and requires mitigation measures during the transition period. Safety networks icluding social funds, compensation schemes, retraining, food subsidies, public works, etc. are necessary to protect the people in the vulnerable groups.

These programmes can be financed from private sources (private funds, donations), a mix of public and private funds (shared between taxation, employees and employers) or public sources (general taxation).

The safety networks, although crucial on programmes to reduce poverty, must be backed up by an investment in human resources.

5.2 - Development of human resources

The second track to curb poverty is to invest in the people. This not only enriches personal lives (an objective of development), but also sets the basis for the economic growth in the long term (a means for development)

Both Government and private sector have critical roles to play in the development of human resources. In this respect, the provision of the goods must be independent from its financing. There could be four financing and provision combinations (public/public, public/private, private/public and private/private), taking into account the complexities of different kinds of public agencies and private organizations (entrepreneurial organizations, NGOs, etc.).

As a general rule, from this vision, the economic activities are better conducted by the private agents, as the market guarantees the efficiency in the production an the consumption of these activities.

Nevertheless, in certain cases, when the social costs are different from the private costs, government intervention is required. The public sector has an important role in the social sector for equity reasons. This intervention need not necessarily be direct (as a provider of the services), but more in a general way to assure the financing and adequate provision of the services to the poor population.

The private sector should be efficient in:

- Providing public goods
- Encouraging the provision of positive externalities while discouraging that of negative ones (for example in health care and education)

- Providing information (particularly in the health sector there are information problems)

The potential advantages of increasing the private sector role in the provision of social services are:

- May enhance efficiency (inputs and outputs relation), by promoting competition, consumers control, decentralized management and a more flexible use of resources;
- May increase equity (equal access for equal needs), by releasing resources to be targeted toward marginal groups (in this the NGO are also important);
- Can mobilize additional resources to be invested in human resources

The future innovations in this area should combine the best of the private sector and the public sector. It should be stressed that this does not reduce the government responsibilities, but it does modify them.

6. Final remarks

This section concentrates in presenting conclusions and challenges as they come up from the analysis made throughout the document.

6.1. Conclusions

The principal conclusions that stand out in the analysis can be summarized as follows:

- There is an existing reality of economic growth, but poverty and marginalization are problems that have not yet been solved (and, in some cases, are growing).
- This reality is, nevertheless, quite complex. It is not quite the same in all the countries nor does it obey in all cases to the same causes.
- The adjustment and structural reform policies, in many cases were applied to correct previous situations and not necessarily were the direct fact causing the poverty and the increase of marginal groups.
- A market economy does not imply a submission of the social and political activities to economics. But the solutions proposed to reach the political and social objectives, should have also an economic rationale behind them. The global problems identified by the DP are of a wide scope and involve many areas: it cannot be expected to solve everything through the economic policies.
- At least from the economic point of view, there are several aspects that could perfectly be dealt with from a same conceptual basis. This is important, as it opens a conceptual common field for an enriching dialogue in the search of solutions.

These ideas, and the conviction that the aforementioned common field does exist, are behind this document. If this is so, it seems more fruitful from the economic point of view to concentrate the debate on the concrete ways to achieve an efficient public sector,

an adequate environment for private sector development, high quality health and educational services, better employment conditions and training of the work force, etc., instead of debating if the neoliberalism exists or not.

The objective of this document has been to focalize some subjects of discussion from an economic perspective, with the idea of finding a common field for a fruitful debate as to what has to be done.

Some ideas have been identified, to set in order future actions.

- The structural reforms and adjustment programmes carried out in Latin America, in a general way, were positive as they improved the economic basis in terms of stability and growth, and therefore they should be kept and improved.
- The roles of government, private sector entrepreneurs, local communities and civil social organizations and their responsibilities in the supply services (particularly social services), should be discussed. It is not an issue of "the market does everything" or "the state does everything". There is a double aspect to be highlighted:
 - The problem is not mainly the volume of resources but the efficiency with which they are used. The central issue is organization and management, making an efficient use of the available resources.
 - Consistent with this idea, it should be discussed the role of civil social organizations in the financing, provision and control of the social services.
- Policies that favour employment must be analyzed and discussed, bearing in mind the international trends, market globalization and technologic innovations. There must be, no doubt, different points of view as to which is the best market organization, if unemployment is reduced through deregulations and flexibility or through better regulations. It is required to discuss this issues making use of the economic tools and analysing the available experiences. It is also necessary to foresee adequate retraining schemes for workers, permanent training and ways to expand all levels of education.

All these issues deal, from an economic perspective, with the necessity to curb poverty and margining, problems that preoccupate the Jesuit Universities. There seems to be a way for concrete advances in the discussion of practical solutions to economic problems.

6.2 - Challenges

These subjects, as focussed herewith, mean a formidable challenge for the Universities and their faculties of economy and managerial sciences.

By way of example, some of the subjects that will come up as big challenges are the following:

- How to create an efficient organization and management of social services and of employment promotion, making a better use of the resources already available in these areas.
- How to incorporate society civil organizations, with their own thrust of ethic and religious values, but also with their management and organizing capabilities, to the provision of social and employment promotion services.
- Which are most convenient employment policies
- How to improve the management capabilities of the entrepreneurs, specially of the micro, small and medium size firms, in such a way that they can better compete in this globalized world and create new genuine jobs.
- Related to the above, what is the relation between training and permanent education of the workers.
- In which way promote and develop an entrepreneurial spirit and improve the entrepreneurial capacity of the people.

All these issues are characteristic of the economy and of the management science, and at the same time, have a strong thrust of values. To confront them is the best way of accepting the challenge submitted by the Rectors in their letter.