

two points should be made. The first concerns an error regarding the economic status of the lower classes during the years of the "miracle." The second concerns the context of political and industrial change in which the present economic difficulties are occurring.

First, you may have been misled by a widespread confusion between changes in two factors — income inequality and the incidence of poverty. They are different phenomena. Each may vary independently of the other. When *per capita* income increases, the real income of the lower classes may rise even though inequality is increasing too. Research conducted by the University of São Paulo and the University of Wisconsin, using the samples of the 1970 and 1980 Brazilian censuses, shows that in fact the income of the lower classes rose over the decade. The research focused on changes in the incidence of extreme poverty — one-fourth of the minimum wage *per capita* within the family. The population grew from 83 million in 1970 to 119 million in 1980. If the poverty rate of 1970 had been maintained, by 1980 the number of the deeply impoverished would have risen from 45 million to about 80 million. Instead, it fell to about 25 million.

Second, it is impossible to understand the economic situation in Brazil without discussing redemocratization. A process of restoring political rights that were taken away in 1964 has been going on for five or six years. One of the last of these steps, indirect

presidential elections, is scheduled for January 1985. Also, the nation has been attempting to reform its industrial relations institutions. The effects of this involve millions of blue-collar workers and their families. The main effort is to develop modern systems of negotiation, mediation and arbitration, so that labor and management can resolve most of their differences without calling in the Government except as an "arbitrator of last resort." These reforms are essential if democracy is to succeed.

So the lot of the poor improved during the 1970's. And now the nation is redemocratizing and remodeling its industrial relations system. For many poverty-stricken Brazilians, hope was slowly rising when Brazil was struck by the recession and the burgeoning debt load. If the economic miracle can reassert itself, the budding political and industrial relations miracles might also come to fruition.

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Brazil

To the Business Editor:

Your article "Brazil's Economy — After the Miracle" (July 17) was timely and informative. Nevertheless,