

CEPAL

Review

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Agriculture as viewed by ECLAC

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In this article the author presents a survey of ECLAC's views on the subject of agriculture, starting with the direct references made to this topic in 1949 in some of the first documents issued by the Commission and continuing on up to its most recent analyses.

The phenomenon of industrialization gave rise to a number of concerns relating to the shift of labour from rural areas to the cities, the ability of agriculture to respond to new needs for raw materials and food-stuffs, and the receptiveness of agricultural production units to modern technologies. The sector's ability to fulfil the tasks which it was called upon to perform in the industrialization process was, in ECLAC's view, compromised by the persistence of structural conditions whose origins dated far back into the region's history.

As time has passed, virtually all the countries' agricultural sectors have developed a genuine capacity for absorbing technology and capital which has gradually altered the organization of production and traditional social relationships. Nevertheless, the agricultural sector continues to suffer from social problems that are becoming increasingly worrisome in the light of the overall experiences of these economies, which are already showing signs of the limitations of the industrialization and urbanization processes. These constraints affect these economies' ability to create jobs, their savings and investment efforts and, especially, the distribution of income and of the benefits of economic growth.

In view of these circumstances, ECLAC has focused its attention on the social implications of the modernization of production, on the paucity of government action aimed at changing the countries' agrarian structures, and on the insufficient attention devoted to peasant economies. The latter have now begun to be regarded as a highly significant segment of society, both by virtue of the amounts of agricultural and food products consumed by these producers and supplied by them to the market and because of the role they can play in retaining the rural population and work force.

The writings of ECLAC thus continue to attest to its deep concern with agrarian issues, whose current nature is strikingly different from what it was in the 1950s.

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Introduction

The study and analysis of the region carried out by ECLAC on an ongoing basis ever since its creation in 1948 has led to the formulation of a series of ideas which, due to their originality and cohesiveness, have come to be known generically as "the thinking of ECLAC". Those who identify ECLAC with its work in relation to industrialization may be surprised to learn that ever since the first writings produced under its aegis, ECLAC has been concerned with the agricultural sector and rural issues. The fact of the matter is that it could hardly have overlooked these subjects in analysing a region in which, at the time the Commission was founded, over 50% of the population lived in rural areas. Indeed, a keen interest in agrarian questions —prompted by an awareness of the persistence of backwardness and inequity in the rural zones of the region— has been an ever-present element in the socio-economic analyses carried out by ECLAC.

As Enrique Iglesias noted in 1973, ECLAC set itself two tasks: firstly, that of studying and shedding light upon the actual economic and social conditions existing in Latin America as a whole and in each one of its nations; and, secondly, that of pointing out possible solutions (a task not always without its perils) which might be called for under these circumstances and whose nature sometimes required that they be presented in the form of a number of different options.

In this article an attempt is made to describe the views of ECLAC on this subject by tracing the writings of the Commission through its history.

I

Initial interpretations and formulations

A. TOWARDS A NEW FORM OF DEVELOPMENT

1. *Two types of development*

In one of the first documents issued by ECLAC (Prebisch, 1951a), a comparison was made between a new concept of development and the type of development seen in the past. One valua-

ble aspect of this essay was that it provided a concise summary of the thoughts and proposals being formulated at that early date. This analysis indicated that these processes differed as regards their objectives, their scope and the way in which they were to be carried out. Whereas the prime goal of the "old" form of development was to satisfy the major industrial centres' demand for primary products, the aim of the "new" development was to raise the level of well-being of the countries in question. In the former case, exportation was seen as the main means of attaining a varied range of imports of manufactures, whereas in the latter, the progressive development of domestic production was the principal instrument.

In the past, development had been confined to areas closely linked to the international economy. It was not, then, a phenomenon involving the masses, except insofar as it gave rise to instances of international migration on a large scale. In contrast, the new concept of development encompassed ever-broader sectors of the population, since, in the final analysis, it implied the application of modern technologies to primary production and to low-productivity occupations, in which a large part of the work force was engaged.

2. The paradigm of the industrial society

The idea of a relative time-lag in development sparked the formation of a school of thought which called attention to the imperative need for "shortcuts". The ECLAC report referred to earlier (Prebisch, 1951a, p. 1)¹ presents an in-depth analysis of Latin America's position in the industrialization process. In this report, Prebisch contended that during the long period that elapsed between the industrial revolution and the First World War, the new methods of production to which technology was constantly giving rise reached only a small percentage of the world's population. Thus, as the major industrial centres of the world were emerging, the vast and hetero-

geneous peripheral areas of the new system took very little part in the raising of productivity.

The industrialization paradigm gradually gathered force, especially following the great depression, until it came to be the core element of the very concept of economic growth and development and an integral component of any strategy or policy. Slowly but surely, the notion of industrialization gained acceptance in the countries of Latin America, finding its way into virtually all the social classes and strata. This acceptance of the paradigm of the industrial society thus overrode ideological differences.

"This critical analysis emphasized two complementary aspects above all others: the insufficient degree of industrialization, which even in the more advanced countries was concentrated in what are known as light or traditional industries; and the pattern of external relations, whose dynamic possibilities were limited and which was marked by a high degree of instability and vulnerability due to the countries' dependence on their external sales of one or very few primary export products" (ECLAC, 1977, p. 3).

In order to arrive at an accurate understanding of the approaches taken by ECLAC, one quite frequently misunderstood point should be clarified. The form of industrialization being espoused was not confined to industrial development, but also involved the widespread penetration of modern technology into the various sectors of the economy. Certainly, however, the purpose of introducing this technology was to raise productivity through the promotion of industries as such. "We have defined the economic development of Latin America as a new stage in the worldwide extension of the capitalist technique of production. To a certain extent, we are now witnessing a process similar to that which took place in the nineteenth century, when countries which today are great centres began their industrial development" (Prebisch, 1951a, p. 62).

3. The pre- or semi-capitalist status of much of Latin America

ECLAC was concerned with the contrast between "the very advanced stage of capitalist development in the great centres and the pre- or semi-

¹In the case of reprinted documents, the page numbers given are those corresponding to the reprinted version.

capitalist state of a considerable part of Latin America”.

Many shortcomings and limitations were seen to be linked to the way in which the peripheral economies functioned, whose core element was made up of primary export activities. A large part of the population remained fixed in age-old ways of life and forms of activity bearing no direct relation to the world market. The methods of working the land, and consequently the living standards of the masses, continued to be essentially pre-capitalist in vast areas of Latin America having relatively large populations. The economic development of these areas thus called, above all, for technical progress in agriculture and related activities, including the means of communication. ECLAC clearly perceived the difference between what is known as commercial agriculture and the traditional subsistence agriculture which has no link to world markets, is untouched by external stimuli and, therefore, remains stagnant in terms of production and is bypassed by technical progress. There were thus “countries where agriculture is still almost entirely in the pre-capitalist stage” (Prebisch, 1951a, p. 12).

4. The shortcomings of the peripheral export economies

It is in the primary sector that the problem posed by the existence of a redundant segment of the working population is most striking, and it is hence in this sphere that the most urgent need is felt to make up for the insufficiency of this traditional growth factor by introducing a new element, one arising out of industrial development itself.

The first report of ECLAC concluded categorically: “Exports are not sufficient to absorb the increase in population, still less the surplus, real or potential, of the economically active population engaged in agriculture or other activities.” It went on to say: “It therefore does not seem that Latin America, considered as a whole, can increase its import capacity to any extent by increasing its exports to the great centres beyond the limits set by the increase of real income in these centres and by the restrictions hampering

Latin American exports. To try to exceed such limits would, in fact, be forcing imports to the detriment of the terms of trade without leading to any substantial increase in the volume of exports” (Prebisch, 1951a, pp. 34-35).

Thus, 30 years later, Prebisch (1978) could forcefully state: “A further matter of concern was the problem of external bottlenecks to development. Exports of primary products were tending to increase relatively slowly, while imports from the centres expanded relatively fast. Thus it was necessary to industrialize in order to produce domestically what this disparity made it impossible to obtain abroad. In a word: simultaneous industrialization and promotion of primary exports.”

“The first stage of industrialization necessarily had to rest on import substitution. No doubt it would have been more sensible to combine it with the promotion of industrial exports to the major centres. But who could reasonably have thought of that during the long years of world depression, the Second World War and the post-war period?”

Therefore, if the spontaneous development of industry was impracticable and economically unsound, then the only other recourse was protection in order to compensate for the differences in productivity, whether by means of customs duties or subsidies, since direct restrictions on imports are a less advisable industrial policy instrument, unless they are used on a temporary basis only.

Another subject of concern to ECLAC was the external economic vulnerability of the Latin American countries and the possibility of lessening it. One aspect of this issue related to the question of agricultural surpluses:

“Some Latin American countries face, with understandable anxiety, certain events, which, although they appear to be of a transitory nature, at present have important international repercussions. The United States, by virtue of its agricultural price parity policy, has accumulated surpluses of products with a value amounting to the remarkable figure of US\$6 000 million, of which it is envisaged to liquidate US\$1 000 million on the world market during the next three years... Even though the practice of selling sur-

pluses on the world market is a cautious one and a proportion of these surpluses is granted as a subsidy to promote consumption in countries where it is limited, it cannot be denied that the

resultant greater supply will adversely affect prices" (Prebisch, 1954, pp. 81-82). The Commission's fears in this respect were well founded and were subsequently to be borne out.

B. INDUSTRIALIZATION AND AGRICULTURE

1. *Industrialization and rural backwardness*

In order to follow the main line of thought running through this article, it is helpful to bear in mind that one of the starting points for the analysis underlying the Commission's advocacy of industrialization in Latin America was the backwardness of the rural population. ECLAC has expressed this concern on an ongoing basis, and continues to do so today. On the occasion of the thirtieth anniversary of the Commission, Prebisch himself said: "First and foremost, we closely linked industrialization with technical advances in agriculture. Agricultural productivity was very low, especially in the part of the sector producing for domestic consumption. Thus a great effort was necessary to increase it and contribute, by this and other measures, to raising the standard of living of the rural masses. But what was to be done with the work force made redundant by technical progress in agriculture? Here we saw a vitally important dynamic role for industry and other activities which expand as a country develops: the role of absorbing this redundant work force, and at the same time offering its members higher incomes" (Prebisch, 1978).

At the primitive technical stage, the proportion of people employed in agriculture and other branches of primary production is very high; then, as technological advances are made, this proportion diminishes and there is an increase in the relative numbers employed in industry, trade, transport and public services. Thus, as technical progress spreads to the peripheral countries and especially when it penetrates the pre-capitalist and semi-capitalist sectors of their economy, the distribution of the gainfully employed population necessarily undergoes substantial changes (Prebisch, 1951a, p. 12). What, then, was to be done with the people who were being shifted out of primary activities, most of whom belonged to the rural population?

2. *Industrialization and the modernization of agricultural technology*

In 1949, these and other considerations prompted ECLAC to assert that the course of technological progress—and the resulting increase in production—required that the redundant segment of the active population be absorbed by means of the development of industry and other activities.

In 1954, Prebisch made the following categorical statement: "Industrialization is an ineluctable requisite of economic development and constitutes an essential complement to technical progress in agriculture as well as in a wide range of pre-capitalist activities having very low productivity" (Prebisch, 1954, p. 6).

Hence, in the eyes of ECLAC, the complementarity between progress in agriculture and other primary activities and the necessary role played by industrialization and economic diversification in the development process was quite clearly defined. In other words, if agriculture and the rural population in general were to progress, an alternative labour market in industry and other activities would have to be formed.

ECLAC was aware of the fact that one of the greatest spurs to technical progress in agriculture and other forms of primary production in the advanced countries had been the rise in wages deriving from the steady increase in industrial productivity. This is what moved Prebisch to remark: "Thus technical progress in agriculture was to a great extent the consequence of industrial development. [Hence the Commission's keen interest in industry as an employer.] Agriculture in Latin America also requires considerable technical progress if it is to raise the standard of living of the masses" (Prebisch, 1951a, pp. 64-65).

C. INVESTMENT AND EMPLOYMENT

1. *An old but very current problem*

In addressing topics relating to investment, as early as 1949 ECLAC described one of the most serious conflicts affecting the development of the Latin American countries. It was to expound further upon this point in the course of its critical analysis of development styles: "Countries where per capita income is comparable to that long before enjoyed by the great industrial centres tend to imitate types of consumption prevailing at the centres today. At the same time they are trying to assimilate the productive technique of the industrial centres, which requires considerable per capita savings. As income is relatively low in the peripheral countries, it is not surprising to find them torn between the greater propensity to consume and the imperative necessity to capitalize. The result frequently is inflation" (Prebisch, 1951a, p. 72).

ECLAC felt that the incorporation of new technologies through the introduction of modern equipment in major subsectors of primary, industrial and transport activities in Latin America might well generate a further surplus of labour as a result of the ensuing increase in productivity. In order to provide employment for the persons thus displaced, an amount of capital would be needed which, in per capita terms, would be similar to that found in those sectors that had already been modernized. Was there sufficient capital to provide an ample supply for all these sectors?

2. *An optimum use of capital*

Around this time, clearly differentiated appraisals were being formulated with respect to the experiences of the industrialized nations.

The fact that, in a given centre, one input of capital may prove to be more profitable than another because the additional manpower savings more than offsets the amortization and interest costs involved does not necessarily mean that the same thing will occur in a peripheral country where wages are lower. In the latter, capital equipment produced by members of a

work force who receive higher wages is being imported in order to achieve a reduction in costs computed on the basis of the lower wage level prevailing in the peripheral country.

In economies having a low saving capacity, an increase in the density of capital will push up interest rates considerably. In the peripheral countries, the cost of capital will therefore rise more than it will in the centres, as the per capita level of capital density increases and, at the same time, the reduction in manpower costs is smaller than in the central countries as a consequence of the lower level of wages. In the less developed nations the optimum combination of manpower and capital will be such that the per capita level of capital density needs to be lower than in highly industrialized countries. The fact must also be borne in mind that many of the Latin American countries are striving to ensure an adequate level of capital density for large segments of their populations which have remained at a pre- or semi-capitalist stage. This topic in respect of pre-capitalist or semi-capitalist populations was raised in connection with rural issues and has traditionally been considered to be a crucial development problem. So it was that, around this time, ECLAC contended that "the increase in the density of capital in certain occupations ... signifies a definite distortion in the series of optimum combinations suitable for a developing country" (Prebisch, 1951a, p. 69).

3. *The problem of investment in agriculture*

This was the title of an article in which, very early on (1951), ECLAC brought up a topic that was to become extremely important in the 1970s: the modernization of agriculture (Prebisch, 1951b, p. 60).

The issue was stated in terms of the dual objectives of technological progress, which are quite clearly illustrated by the case of agricultural investments, since, in practice, it is not difficult to differentiate such investments according to their purpose. Some of these investments are

designed to increase the amount of product per land unit; others are aimed at reducing the amount of manpower needed per unit of land and of product by mechanizing the tasks to be performed to varying degrees, ranging from the use of better tools to the use of technologically more sophisticated equipment.

From the standpoint of the economy as a whole, the degree of mechanization that is advisable—independently of the advantage to be derived by the individual entrepreneur—depends not only on the amount of capital available for purchasing equipment and so freeing up manpower, but also on the amount of capital available for absorbing these workers in industry or other activities. If mechanization is carried to a point where it outstrips the economy's capacity to absorb the manpower thus displaced, then a problem of technologically-derived unemployment will be created. This is all the more deplorable in view of the fact that it is quite easy to avoid this phenomenon in agriculture since investments in this sector are divisible and it is unnecessary to resort to counter-productive manpower savings in order to raise production.

This is a highly important aspect of the expansion of technical progress in Latin America which has not received as much attention as it deserves. Given the shortage of capital for absorbing the surplus labour resulting from the mechanization of agriculture, a savings in manpower may, in some cases, lead to people being underemployed in the agricultural sector or to the excessive concentration of the population in urban areas.

In view of the abundant manpower potential to be found in agricultural areas and the shortage of capital, the question of mechanization should always be very carefully considered in connection with economic development programmes; this is all the more true when the small amount of capital that is available may be far more advantageously employed in increasing output, especially if the economy has already absorbed all the excess labour it can. "Not infrequently, there are clear-cut cases in these countries in which the increase of agricultural production depends largely on improved utilization of existing available resources rather than on new capital investments" (Prebisch, 1951b, p. 63).

It is useful to remember, first and foremost,—as Prebisch pointed out in 1954— that an increase in productivity can be achieved either through a more intensive exploitation of the capital or land immediately available, or by making better use of labour resources. "It is easily understood that, in countries where there is a comparative shortage of capital and a relative abundance of actual or potential labour, the technical processes that increase the productivity of capital or land generally enjoy a higher priority, as with the same capital—without additional investments or with only small investments—an increase in the product can be obtained" (Prebisch, 1954, p. 48).

Agriculture provides a typical example of an activity in which productivity can be increased with very little investment. Using the same unit of land, large increases in productivity have been achieved through the utilization of better methods of cultivation and storage. Clearly, such ways of raising productivity while using the same or only slightly more capital and the same amount of land should be explored and applied in preference to others which require larger additions of capital.

Prebisch also made the point that when mechanization does not help to increase production—and there are such cases—it does not result in a greater yield per unit of land, but instead in a reduction of labour per unit of land and per unit of product.

4. The system of land tenure and land use

The problem posed by the land tenure system was also addressed very early on by ECLAC. In view of the insufficient nature of savings and capital formation, from its very first writings onwards the Commission maintained that increased investment was not a panacea and that a rational utilization of the resources already available should also be sought. In many Latin American countries, however, efforts to pursue this approach often ran up against a serious obstacle in the form of the land tenure system. While vast stretches of well-cultivated land were to be found in some areas, in others zones a poor or no better than average utilization of a fraction of the tracts held by large landowners was

enough to provide them with a substantial income. This hoarding of land, it was observed, made it virtually inaccessible to landless farmers. "Hence the unusual phenomenon of the minute subdivision of the land into numerous small uneconomic holdings that constitute a small part of the total area, whilst an insignificant number of landowners holds the greater part of the available land."

How is the problem of unemployment among the rural population to be solved, given this unequal distribution of resources in agriculture?

"It will readily be seen that the solution to the problem of land tenure is only a part of the general problem of economic development, if the considerable proportion of persons gainfully employed in Latin American agriculture is taken into account. Whatever the solution, little progress can be made in raising the standard of living of the agricultural population, especially in areas where the soil is poor and where secular methods of agriculture prevail, unless the surplus population can be displaced by technical progress, and unless that portion not required for work in the new areas opened up to cultivation can be reabsorbed into activities where productivity is high" (Prebisch, 1951b, pp. 64-65).

The same approach which had, in 1951, provided some indication of how the agrarian problem might be solved was used again in 1954, a time when there was a greater degree of confidence in the growth process, in which both entrepreneurs and the State were seen as playing an important role.

"In Latin America, the effort towards industrialization is being mainly carried out by the entrepreneur who is ... a Latin American ... The Latin American entrepreneur is therefore an indisputable reality and the evidence of his drive and constructive ability would suggest what may be expected from his future activities if he is granted the incentives and favourable conditions which he does not adequately enjoy at present. The entrepreneur is also emerging and establishing himself in agriculture —ECLAC noted— although the survival of anachronisms in the land system constitutes the obstacle which most hampers the productivity of private enterprise in this domain. Economic development in Latin America depends to a great extent upon the actions of the private entrepreneur" (Prebisch, 1954, pp. 6-7).

In addition to recognizing the value of the private initiative of entrepreneurs, ECLAC also referred explicitly to the role of the State apparatus, expressing the view that economic development could by no means be the result of "the spontaneous action of economic forces alone". It further contended that private enterprise had to be combined with a firm State policy providing for a type of intervention that would promote development by creating conditions that would serve to guide and encourage in one way or another the activities of entrepreneurs without regulating their individual decisions. The Commission argued that, in order to accomplish this, the State should have recourse to monetary, exchange, fiscal and tariff policies, as well as its own basic investments (Prebisch, 1954, p. 7).

II

A time of consolidation and of a critical analysis of industrialization

A. OBSTACLES IN THE REGION'S PATH

In the early 1960s, the ideas being formulated and refined since the 1950s were set forth as an articulated body of thought. Two of the documents published during this period deserve special mention: the first, *Economic development, planning and international co-operation*

(ECLAC, 1961), is a good source for an explanation of the main lines of thought being formulated by the institution as it celebrated its tenth anniversary; the second is a highly interesting work entitled *Towards a dynamic development policy for Latin America* (ECLAC, 1963). Both

address the phenomenon of the "insufficient dynamism of Latin America's growth".

In the mid-1960s ECLAC published *The process of industrial development in Latin America*, in which it presented a critical assessment of this process. This work provided interesting perspectives on the performance of regional agriculture and reaffirmed the need, from the standpoint of industry, to make changes in it. Then, late in the decade, the first version of *Change and development - Latin America's great task* by Raúl Prebisch (1970) was published, which in a sense marked the culmination of this period.

The period in question has been referred to as being one of "reaffirmation" because it was during this time that the ideas originally developed by ECLAC were being assimilated into the strategies and policies applied in many Latin American countries, becoming an integral part of these formulations. Nonetheless, some of these concepts had to be confirmed or broadened during this period owing to the fact that, once the conditions present at the start of the industrialization process were no longer in evidence, some orthodox schools of thought were tempted to hark back to the past.

In tandem with this, during the second half of the 1950s a pressing need began to be felt for a critical and introspective analysis in this sphere as a consequence of the difficulties which were being encountered in connection with the industrialization process itself, the spread of new technologies, and, certainly, the introduction of changes in the countries' external relations.

1. *Growth shortfalls and inequality*

Having seen that the region's growth was insufficient to fulfil the aspirations of a rapidly expanding population, ECLAC maintained that this was not a result of circumstantial or temporary factors, but rather "an expression of the critical state of affairs" and a consequence of structural flaws which had been beyond the countries' ability or power to remedy (Prebisch, 1963).

The crisis was manifested on two different planes: i) externally, in the form of the many

anomalies and shortcomings which continued to exist in the spheres of external trade, financing and foreign investment, as well as in the obstacles hindering the promotion of Latin American integration at a more rapid pace and on a broader scale; ii) internally, in the form of some still prominent characteristics of the social structure of the countries of the area, particularly the excessive rigidity of the social structure, which made it more difficult for new persons, groups and the bulk of the population in general to achieve a greater degree of effective participation and, moreover, as a reflection of this "limited participation", in society, in the form of "distributive privileges", whose existence went hand in hand with the exclusion of the masses from development goals and tasks.

An extremely serious statement is made in the 1961 report: "... great disparities in [income] distribution ... usually tend to increase rather than diminish with economic development" (ECLAC, 1961, p. 7).

The 1963 study decried two outstanding features of the pattern of distribution: i) the heavy concentration of income in the upper strata and the tiny share received at the base of the income pyramid, where average earnings were just US\$120 per year. Even though this "base" represented half of the population, this segment accounted for just one-fifth of total consumption in Latin America; and ii) the fact that the significant inequality in distribution —far from leading to an increase in saving and capital formation— had resulted in the reproduction of levels and forms of consumption that were similar to, and often surpassed, those of the corresponding groups in industrialized economies. Hence, the social sacrifices and the constraints on the scope of the domestic market entailed by the marked inequality of income were not, even hypothetically, compensated for by a high rate of accumulation.

2. *The origin of the disparities*

In the early 1960s it was thought that these great disparities had, in the past, been caused largely by the system of land tenure and the value assigned to this resource in terms of overall progress. However, the problem remained and,

in some cases, had grown more severe. Furthermore, it had been compounded by other disparities which stemmed from a variety of factors: excessive industrial protectionism, practices aimed at restricting competition (and which also discouraged technical progress), the regressive repercussions of inflation, discretionary intervention by the State in the economic decisions taken by individuals, etc.

Social organization at that time was not powerful enough to alter the distribution patterns. ECLAC was aware that trade union organizations were becoming considerably stronger, but it also pointed out that there were countries in which they had still not become effective enough to bring wages into line with the increase in productivity. This constituted a highly serious manifestation of the relative abundance of low-productivity manpower.

In order to reorient the overall process of development, it advocated: i) directing the development effort primarily towards that half of the Latin American population earning very low incomes; ii) laying to rest the idea that development was a spontaneous process not requiring a rational and deliberate effort; iii) rooting out "poverty and its inherent evils, by virtue of the tremendous potential of contemporary technology and the possibility of assimilating it much more quickly than was the case with the capitalistic evolution of the more advanced countries"; and iv) achieving a rapid penetration of technology through "radical changes: changes both in the pattern of production and in the structure of the economy which could not be effectively brought about without a basic reform of the social structure" (Prebisch, 1963, pp. 3-4).

B. AGRICULTURE: A CONFLICTIVE SECTOR

Starting in the late 1950s, ECLAC and other international bodies, particularly FAO, began to criticize the economic and social performance of agriculture more sharply. Agriculture was held responsible for a number of situations having an adverse impact on the overall development of the countries, and repeated proposals were made for the implementation of agrarian reforms.

1. *Agriculture as a constraint*

In the above-mentioned 1961 report, ECLAC made the charge that "the land tenure system prevailing in most of the Latin American countries is one of the most serious impediments to economic development" (ECLAC, 1961).

Two years later, in the report issued in 1963, agriculture and particularly its pre-capitalist or semi-capitalist forms (i.e., the peasantry) were described as the most stubborn internal constraint on Latin American development (Prebisch, 1963).

The land tenure system was characterized as being marked by extreme inequalities in the distribution of land and of the income accruing

from it. A relatively small number of large landholders owned most of the productive land, with the remainder being divided among a vast number of small and medium-sized holdings, most of them too small to permit rational farming.

The starting point for all the ECLAC analyses of the land tenure system is this group of "owners of large estates, relatively few in number". It noted that the estates of some of them were "farmed efficiently", but that many others drew "a substantial income without troubling [themselves] to improve the farming of [their] land". Others saw their property as "a means of protecting themselves against inflation or of evading, wholly or in part, the burden of progressive taxation". Finally, still others saw land as an opportunity for opportunistic investment and speculation. These large estates were described as "one of the reasons for the existence of minifundia". The other factor helping to account for their existence related to population growth: "lands impoverished by centuries of cultivation are subjected to the ever-increasing pressure of a population which is multiplying at an exceptionally rapid rate" (ECLAC, 1961, pp. 24-25).

Another aspect of the situation which was underscored by the Commission during the early 1960s was the uneven penetration of production technology: "Progress has been made in respect of production for export in particular, but not as regards agricultural commodities in general. Low productivity continues to characterize production for domestic consumption. This is one of the most important strongholds of pre-capitalism. There is no other field in the Latin American economy in which the profundity and magnitude of the disequilibrium between labour and capital are more apparent" (ECLAC, 1961, p. 25).

2. Agrarian issues and economic development

While it is true that the documents published by ECLAC in the early 1960s are very succinct in their discussion of agrarian issues, the scope of these analyses is nonetheless quite broad. In particular, the 1961 report contains a discussion of a number of non-agricultural factors having a bearing on the situation: i) firstly, the report contends that "efficient use of the soil depends not only upon the reform of the land tenure system, but also upon the rate of economic growth itself. There is a close interdependence between the land and economic development"; ii) it is also asserted that the pace of economic development influences the domestic demand for farm products: "there are some branches of agricultural production in which demand has grown rapidly and has given the consequent impetus to technical progress. This has been true mainly of production for export and of import substitution activities ... but in the remainder of the agricultural sector, which comprises most of the rural population, the situation has not been the same. Demand has grown more slowly here than the demand for other goods and services; and it has not been vigorous enough to overcome the difficulties confronting it ... and even the relatively slow increase in demand referred to has often had to be satisfied by increasing imports or reducing exports or their rate of growth ..."; iii) the report also restates one of the initial postulates of ECLAC, according to which the introduction of up-to-date techniques is a

function not only of demand but also of the capacity of the rest of the economy to absorb the surplus rural population; and iv) finally, an analysis is presented of the "unevenness in development policy", which is described as being characterized by "over-protection of industry, practices designed to restrict competition and which also discourage technical progress, the regressive consequences of inflation [etc.] ...". All of this, it was argued, had led to a pattern of growth which "has had such adverse effects on agriculture". Production for import substitution purposes had been subsidized, and production for exports had not.

In addition to its repercussions on demand, this discriminatory treatment had weakened the incentive to invest in agriculture and thus retarded technical progress in the sector. Moreover, in some instances the consequences of this had been compounded by the dampening effects of an overvalued currency and price controls.

Agriculture had also suffered, it was noted, when a policy of import substitution —with or without due regard for economic expediency— had been brought to bear on production inputs, thus raising costs.

3. Observations and recommendations concerning agrarian reform

Some of the proposals put forward by ECLAC (1961) significantly influenced the design of the agrarian reform policies of the period.

i) Special importance was placed on the optimum size of holdings. "However well the land is worked, there is a dimensional limit beyond which productivity, instead of increasing, is liable to decrease. Within this limit, there would be no reason to divide up the land, since other efficacious means exist of redistributing the income it produces."

ii) ECLAC foresaw that, when the land was redistributed, a larger number of workers would have to remain in agriculture than might be needed at more advanced stages of economic development. "But due allowance will have to be made for the stages in question, through the farsighted incorporation of elements of flexibility in the programme."

iii) In cases where it would not be possible to absorb the redundant population in the agricultural sector, it was recommended that priority should be given, both in agricultural research and in the dissemination of sound farm practices, to techniques which would increase the yield per unit of land.

iv) It was also argued that the size of the holdings into which the large estates would be subdivided should be determined on the basis of the amount of capital available and the size of the population that would have to remain on the land.

v) The availability of capital was also seen as being a highly important factor in formulating plans for land settlement. "The settlement of new land is sometimes advocated in the case of badly-farmed latifundia that could be subdivided at much lower levels of real investment."

vi) It was further asserted that a tax on the potential capacity of unimproved land might be effective in some countries or cases provided that the introduction of technical improvements did not give rise to a substantial surplus of labour. "In such cases, the tax might lead to the rational use of land or to its transfer to other hands."

vii) As regards the purchase of land, the Commission maintained that "the problem of land tenure will never be fully disposed of while the land still has to be paid for [in cash], since resources will either not be available in sufficient volume or will be diverted from the direct investment and basic social capital investment required by the subdivided land".

viii) Finally, the assertion was made that "land reform that is not accompanied by adequate technical improvements will fall short of its aims, if it does not end in total failure".

C. OBSTACLES TO INDUSTRIALIZATION

Drawing on the experience it had gained in the field of industrialization, in the 1960s ECLAC set itself the task of assessing the industrialization experience and of setting forth some options.

1. *Three basic flaws*

The 1961 report presented one of the first critical appraisals of the industrialization process. In this connection, ECLAC identified three main flaws in the process which had weakened its effectiveness in improving living standards.

i) Industrialization activities had been directed entirely towards the domestic market. This policy had discriminated against exports, in that subsidies had been provided—in the form of tariffs or other restrictions—to industrial production for domestic consumption but not to industrial production for export. Consequently, progressive increases had been made in the output of many manufactures whose costs were far above the international level, when they could have been obtained at a much lower cost in exchange for exports of other industrial products that might have been produced more profitably.

ii) The choice of industries to be established had been determined primarily on the basis of circumstantial factors rather than on economic considerations. In many instances the production of certain raw materials, intermediate industrial goods or capital goods would have involved a lower cost differential with respect to the international market than was the case with consumer goods.

iii) Industrialization had failed to eliminate the Latin American countries' external vulnerability (ECLAC, 1961, pp. 14-15). The priority given to import substitution ended up by creating a situation in the more industrially advanced countries of Latin America in which virtually all consumer goods either had already been replaced by substitutes or were about to be. Apart from capital goods, imports were thus confined to the raw materials and intermediate goods necessary for maintaining normal economic activity. This, in effect, gave rise to a new kind of vulnerability since, when the countries' export activity entered into a cyclical downswing, their inability to import essential goods slowed down the growth rate and led to a contraction of the economy.

In 1966, ECLAC asserted that almost all the countries had arrived —at more or less the same time but for different reasons— at critical stages in their respective industrialization processes and that any further progress in this direction would be hampered by a number of serious obstacles. It went on to predict that import substitution would cease to play the pre-eminent role which it had performed up until that time and would have to give way to new approaches more closely related to the expansion of domestic demand (ECLAC, 1966, p. 23).

2. *Industrialization and job creation*

"The industrial policy pursued has in fact helped to reduce the costs of capital through preferential treatment for imports of machinery and equipment, and other methods of stimulating capital formation in manufacturing, whereas such policies as the financing of social security systems have tended to bring about a relative increase in labour costs" (ECLAC, 1966, p. 44).

Latin America had thus departed considerably from the ideal concept of a gradual migration of labour from agriculture to the towns, where a substantial part of this work force would be absorbed in the manufacturing sector at much higher levels of productivity. Even apart from the migration from the countryside, the hidden unemployment existing in many urban activities, the modernization and rationalization of such services as marketing, and the continued presence of a large number of artisan workers constituted potential sources of labour in urban centres which appeared enormous in comparison to the employment opportunities that manufacturing had succeeded in making available. "Throughout the period between 1940 and 1960, in the group of nine Latin American countries for which the necessary data is available, the per capita industrial product increased at an annual cumulative rate of 3.8%, while the share of manufacturing employment in all urban employment declined from 32.5% to 26.8%" (ECLAC, 1966, pp. 44-45).

"As it was inevitable that modern techniques and organization should be used in starting up or expanding manufacturing activities, this

widened the gap between these activities and the backward areas of the traditional economy, particularly the agricultural and rural sectors" (ECLAC, 1970, p. xxii).

3. *Industrialization and rural markets*

One of the factors working to slow down the industrialization process which was mentioned time and again during the 1960s was the narrow scope of rural markets.

"The fact that the development progress was not effectively integrated and that the rural sectors lagged so far behind —except, perhaps, in some cases of export agriculture such as Sao Paulo— resulted in a lack of complementarity in agricultural expansion, which was reflected in the limited size of the rural market for manufactured goods, in inadequate contributions to domestic capital formation —except in Argentina and Brazil during certain periods—, in heavy balance-of-payments pressures deriving from imports of primary commodities, in the limited growth of agricultural exports and in other similar handicaps" (ECLAC, 1966, p. 5).

The unequal distribution of rural wealth and income was also criticized. "A substantial proportion of the Latin American population ... is virtually excluded from consumption of manufactured goods, except for a minimum of clothing and other indispensable items. Although the income of this rural population is determined primarily by the low levels of productivity prevalent in agriculture, it is also largely influenced by an income distribution pattern that is even more regressive than in the urban sectors. With the probable exception of those rural population groups engaged in production for export under land tenure systems in which small and medium-sized holdings predominate, the regressiveness of rural income distribution is in its turn closely linked to institutional factors. Agrarian reform thus emerges as one of the requisites for industrial development, insofar as it represents the possibility of a considerable expansion of domestic markets for consumer manufactures ... [and] those intermediate products which constitute agricultural inputs as well as ... agricultural machinery and equipment, of

which far more use will be made as new patterns of agricultural development are introduced" (ECLAC, 1966, pp. 232-233).

4. *The persistence of traditional society*

It would be a mistake, in ECLAC's view, to interpret the industrialization process from the narrow standpoint of the expansion of production capacity and of the increased output of manufactured goods without also placing it in the broader perspective of the social and cultural changes which it would necessarily involve. In this context, the industrial process was seen as a means to an end, i.e., to the building of an "industrial society", with all that the term generally entails: a rational organization of production, both in manufacturing and in the other sectors of the economy, which in turn implies the application of science and technology throughout the entire field of production of goods and services; an equally broad pattern of consumption, such that the benefits of technical progress are enjoyed by all social groups; and, finally, an "open" system of social stratification, backed up by a modern educational system capable of teaching the necessary skills and of equipping the whole population to understand and take part in the industrialization process.

"The persistence of archaic patterns of land tenure and use is perhaps the most eloquent testimony to the fact that industrial development has not been accompanied by a simultaneous metamorphosis of the traditional structure of society. To this is linked the aforesaid total or partial exclusion of the rural population from participation in modern patterns of consumption, as well as the failure of technical assimilation to reach a high proportion of the agricultural sector, which thus has no chance of

applying new methods of farming that in their turn signify additional markets for expanded manufacturing production" (ECLAC, 1966, p. 229).

5. *Some preconditions for reactivating the industrialization process*

In the mid-1960s, ECLAC also reaffirmed a number of *idées-force* relating to the revitalization of the industrialization process.

"In very general terms, attention may be drawn to a few salient features of this new development policy. The first of these is the decision to organize systematic efforts aimed at ensuring the attainment of minimum growth targets for per capita income, and to use planning as a basic means to that end. Secondly, it is recognized that such a policy must incorporate specific income redistribution objectives, which implies, *inter alia*, acknowledgement of the need for agrarian reforms. Thirdly, the conditions [under] which such efforts and decisions are undertaken or adopted will be likely to include progressive modifications of the structure of international trade, with the result that developing areas will enjoy opportunities of expanding their trade more rapidly and will see an improvement in the stability of their external income, as well as changes in the composition of their trade that will make for the incorporation of manufactured products into the traditional export flows of the less developed countries. Lastly, essential elements in this new policy are the instruments already created to promote the progressive integration of the Latin American economy, and the conviction that these instruments must be amplified and perfected if the proposed objective is to be more rapidly and efficaciously achieved" (ECLAC, 1966, p. 230).

D. THE INSUFFICIENT DYNAMISM OF THE LATIN AMERICAN ECONOMY

In 1969, Prebisch returned to the idea that the Latin American countries had not known how to cope with the contradictions nor how to take advantage of the far-reaching possibilities with respect to the well-being of the population to

which scientific and technological progress gave rise. For this and other reasons, only a part of the work force was being productively absorbed. "A very high proportion constitutes redundant manpower in the rural areas, where the surplus

labour force has been and still is large; and the migrants from the rural areas who constantly pour into the bigger towns merely shift the scene of their redundancy.² In their new environment, they needlessly swell the motley ranks of the services sector, in which a substantial proportion of the natural increase in the urban labour force itself is also skirmishing for jobs. Thus the result is a spurious rather than a genuine absorption of manpower, if not unemployment pure and simple. This phenomenon is characteristic of the Latin American economy's lack of the required degree of dynamism" (Prebisch, 1970, p. 3).

1. *The contradictions associated with modernization*

Prebisch stated categorically that there was no cause for the complacency often observed in connection with striking examples of progress in the region. The overwhelming growth of the cities, their considerable modernization, and the development and diversification of their industries were sometimes held up as irrefutable evidence of a promising rate of development. However, those who pointed to this evidence were forgetting the inability demonstrated by urban activities to absorb the increase in the work force fully and productively, as well as the ever-mounting social tensions arising out of this and other factors. They were also forgetting that the progress being made in the cities had not spread out to the countryside; on the contrary, the latter was penetrating into the cities. Moreover, the part of the rural population taking part in this penetration was made up of the groups who no longer fitted into their former economic and social context, and these people, rather than becoming properly integrated into the context of the cities, were leading no more than a hand-to-mouth existence in the vast shantytowns on the outskirts of urban centres.

²In the report cited, the term "redundancy" was used to describe the manpower that could be dispensed with, even on the basis of the technologies in current use, without a resulting decrease in the output of goods and services. With technical progress, of course, the redundant labour force tends to grow larger, and in order to absorb it the rate of development must be speeded up.

"Those at the top of the social pyramid have conspicuously prospered; the urban middle strata, too, have increased in size and have raised their level of living, although less than might have been the case, and far from enough to satisfy their growing consumption aspirations. But the benefits of development have hardly touched the broad masses relegated to the lower income strata. The percentage of the population represented by the last-named groups may possibly have diminished, although precise data to substantiate such an assertion are lacking. In any event, they still constitute as much as about 60% of Latin America's total population, both in rural and in urban areas, although the proportions vary from one country to another. They would seem to have decreased in relative terms; but at the same time the gap between the lower and upper strata has widened" (Prebisch, 1970, p. 4).

In addition, ECLAC noted that the advances made in mass communication techniques — that would have been almost inconceivable in bygone days — were giving rise to new phenomena whose implications defied prediction. Moreover, the rural and urban masses were regaining an awareness of their long-forgotten dignity as human beings and of their pathetic relegation to ways of life long left behind by the peoples of the developed countries.

2. *Criticism of the occupational structure*

The proportion of the non-agricultural labour force working in industry, construction and mining was steadily declining rather than rising; meanwhile, just the opposite was the case in the services sector, where a spurious sort of absorption of redundant manpower was taking place and where part of the labour force was left jobless altogether. ECLAC argued that it was essential to correct this distortion of the occupational structure by reversing these trends.

The problem was not confined to the redundant population which had to leave agriculture and was not absorbed productively elsewhere, but also encompassed the redundant work force remaining in agriculture. Since people would have to continue to be shifted out of rural areas as the product per worker was raised

through a more efficient use of the land and through technical progress, ECLAC saw that there was going to be an even greater need to boost industrial activity.

Furthermore, a massive out-migration of agricultural workers was inevitable if the rural masses' living standards were to be raised. The appalling congestion of the large cities prompted by this population shift was, however, an avoidable phenomenon. In this as in other respects, the Latin American countries were suffering some of the drawbacks of development long before they had reaped its benefits, and one of these was the need to remedy the over-concentration of the urban centres.

It was also recognized that the integration of the lower-income strata into the countries' development was not only a pressing social necessity but was an urgent economic need as well, inasmuch as it would broaden the scope of Latin American industrialization. The dynamics of development are such that there was no other alternative. "The absorption of redundant manpower in industry—together with the improvement of the income levels of the rural population—will generate a considerable and continuing demand for manufactured goods, and will also give a vigorous fillip to demand for agricultural products, at present largely pent up by the poverty of the lower income groups. Thus agriculture and industry will derive a more powerful stimulus from their reciprocal demand and will give each other mutual support, propagating their growth throughout the rest of the economy" (Prebisch, 1970, p. 7).

3. Modernization and agrarian dualism

"It is not idle to repeat that the problem of the agricultural sector and the social integration of the rural masses cannot be solved out of the context of economic development", said Prebisch in 1970. This consideration was highly important, in his view, as it related to mechanization. "This is one of the cases in which the calculations of the agricultural entrepreneur generally come into conflict with the interests of the community as a whole. Mechanization lowers costs by reducing the volume of manpower required, and raises agricultural profits and land

rents. It is economic from the standpoint of the individual entrepreneur; but if the labour force thus displaced is unable to find employment and goes to aggravate the problem of redundancy in the cities, where is the social advantage of mechanization?"

"The worst of it is that mechanization is sometimes artificially encouraged: tariffs and other import restrictions are reduced or eliminated, tax exemptions are offered, credit privileges are granted. All this seems laudable from the individual point of view. But is it compatible with the interest of the community?"

"... Be this as it may, mechanization and the techniques that improve unit yields are creating a very marked duality in the agricultural sector of some Latin American countries. This duality used to exist between export activities, where techniques are generally advanced, and production for domestic consumption, which lags in the rear of technical progress; but today it is apparent within farming for domestic consumption itself. It is worth asking whether the countries that have most intensively increased their production for the home market—as well as for export and import substitution purposes—could have done so without modernizing their agriculture in this way."

"If demand becomes much brisker than in the past, the modernization process is likely to gain powerful momentum ... If modernization were in fact to make steady progress, this duality would be aggravated: the large-scale agricultural entrepreneur would employ relatively little manpower, and in traditional farming redundancy would continue to increase. This is not a prophecy. It is a *fait accompli* in certain countries."

Prebisch stressed the necessity of making changes in agriculture in view of the progressively sharper dichotomy to be observed in the rural sector:

"Each country has its own special problems, different from those of the rest. But as the increasing pressure of the economically active population on the land is something that is common to a large number of Latin American countries, the duality of the agricultural sector must be viewed with great concern. Herein lies another of the important aspects of the reform of the agrarian structure, apart from its favoura-

ble influence on technical progress. Giving more land to those who know how to till it and yet possess little or none ... would enable the product per worker to be increased in cases where land use was not satisfactory; and, in some extreme instances of demographic pressure, it would allow redundant manpower to be retained in agriculture, at the expense of the growth of the average product, until, as economic development proceeded, the surplus was genuinely absorbed in other activities."

"Moreover, this sweeping change in the agrarian structure transfers to the agricultural worker at least part of the rent formerly received by the landowner, and likewise enables him to keep the benefits of technical progress in his own hands, provided that demand is sufficient and the system for marketing agricultural commodities is rationalized" (Prebisch, 1970, pp. 101-102).

4. *Underlying policy assumptions*

The transition from a relatively low rate of growth of limited social scope to one which would give the economy the dynamism it needs and which would be socially meaningful is a task requiring considerable effort. This effort would have to be directed towards bringing about struc-

tural changes and establishing a genuine development "discipline", especially in respect of capital formation and the promotion of foreign trade. If, however, there is strong opposition to the conscious and deliberate establishment of a discipline of this sort, development will nonetheless still take place in one way or another.

Prebisch asserted that the lack of economic dynamism was not an incidental phenomenon, but rather the outward sign of the serious crisis occurring in the phase of development which began with the great world depression of the 1930s. "This phase has long since served its turn, and is now generating another crisis—and a notable one at that—especially among those of the rising generation who are beginning to concern themselves with economics and the social sciences: the crisis of 'developmentism'. As with all the terms that spring up in the course of ideological discussion, there is some confusion about the meaning of 'developmentism'. Perhaps it may be interpreted as the refusal to believe that major changes are necessary in order to accelerate the present pace of development, and the trust that social disparities will gradually be smoothed out by the dynamics of development itself. The essential thing is to develop; then we shall see! Such attitudes as these jar on the social conscience of the younger generation and of others who have long left youth behind" (Prebisch, 1970, p. 19).

III

Development styles and the modernization of agriculture

The topics which drew the attention of ECLAC during the 1970s included the analysis of development styles, the internationalization of the Latin American economies, and energy. As the decade came to a close, ECLAC was exploring the problems of critical poverty, the environment and external relations, especially in the financial and commercial spheres.

The agricultural sector's production performance, the methods by which modern techniques were introduced in the sector and the implications of this, along with the changes being experienced by rural populations, were also to be counted among the many subjects of concern to the Commission.

A. DEVELOPMENT STYLES IN LATIN AMERICA

1. *The debate*

In 1976, Aníbal Pinto opened up the debate concerning development styles with an article which was published in the first issue of the *CEPAL Review* (Pinto, 1976). Thereafter, the experts who embarked upon an analysis of development styles moved in different directions, publishing various articles on the subject.³ According to Pinto, "concern about the 'style of development' is shown by those who are sick and tired of the 'affluent society', those who —while halfway to reaching that state— criticize the presumed desirability of that goal and, lastly, those who have no desire to reproduce the rejected model or have little or no chance of doing so" (Pinto, 1976, p. 100).

The paradigm of progress as patterned after the course followed by the advanced and dominant societies was abandoned. The concept of development as the spread to the periphery of the centres' technologies, production systems and life styles came under fire. In Aníbal Pinto's words, "the discouragement and pessimism of some is matched by the hostility and resentment of others, despite the irrefutable fact that the international economy and the economies of the industrialized capitalist countries in particular have lived through a quarter century of uninterrupted and exceptional material growth" (Pinto, 1976, p. 101).

2. *The criticism of peripheral capitalism*

The director of *CEPAL Review*, Raúl Prebisch, presented a critique of peripheral capitalism in the first issue of the journal as well. The other contributing authors, including Pinto and Iglesias, also expressed their dissatisfaction with the socioeconomic experience of Latin America and, in various ways, posited the need for new approaches.

Prebisch, for his part, said that "Two high hopes of some decades ago have been frustrated

in the subsequent course of peripheral capitalism. It was once believed that if the latter were left to be carried along by its own dynamic impetus, the penetration of technology from the industrial centres to the periphery would gradually disseminate its fruits throughout all strata of society; and that this would help to further and consolidate the democratization process" (Prebisch, 1976, p. 9).

3. *The development of agriculture and income distribution*

Towards the end of the 1960s some experts began to take another look at the criticisms which had been leveled at the structure of the agricultural sector as regards its lack of receptiveness to new technologies and the inflexibility of agricultural production, characteristics that had been pointed to as reasons for agrarian reform. It came to be recognized that a partial modernization process had been taking place in the sector in the form of the introduction of modern techniques in medium-sized and large enterprises, thus heightening long-standing inequalities and contrasts.

The slowness and balkiness of production to adapt to changing market needs gave way to a notable degree of flexibility. For example, in his study of the years 1955-1965, Schatan (1972) found that regional agricultural production as a whole had shown relatively satisfactory indications of growth, with the annual average being 4.1%, i.e., around 1% in per capita terms.

Nevertheless, the same author also stated that in 1965 roughly 70% of the agricultural population earned one-third of the total income from agriculture (US\$276 per person in the economically active population of the sector, or about US\$90 annually in per capita terms) while somewhat less than 2% of this population took in 20% of the sector's total income, which was equivalent to per capita earnings 21 times greater than those of the former group. Since these statistics were averages, they signified that there were millions of peasant families whose annual per capita income was far below the US\$90 figure. This level of income was clearly

³See the articles concerning development styles by Sunkel (1980), Real de Azúa (1977), Graciarena (1976), Rama (1979) and Gilgo (1981, 1982).

insufficient to provide this population with a satisfactory diet in terms of quantity and quality or to permit these people to acquire other essential goods and services that would allow them to attain an even moderately decent standard of living.

Schatan felt that the appearance during the preceding years (1969) of a new type of entrepreneur in commercial agriculture who used more modern techniques and who was achieving high levels of productivity was surely adding to the concentration of income within the sector. It was very likely that the average increase in the productivity of the economically active population (around 2.5% annually during the period 1955-1965 for 16 Latin American countries) was the net result of a combination of much higher rates of increase among small groups of modern farmers and zero growth or even negative rates in respect of the vast majority of the farming population. Even if the profits accruing from the increase in productivity achieved by modern agricultural enterprises had been transferred on

a proportional basis to the wage-earners employed by them—which remained to be proven—the improvement in real wages would still have affected only a small fraction of the rural labour force (Schatan, 1972, pp. 391-392).

Despite the high rate of migration to urban areas in Latin America (which denoted an exodus equivalent to one-half of the natural increase in the rural population), this population was still expanding by approximately one and one-half million people per year in absolute terms. Due to the constraints created by the existing land tenure systems, by the structure and slow growth of the demand for agricultural products, and by the progressive concentration of productivity referred to earlier, only a relatively small fraction of these new segments of the agricultural labour force were finding permanent jobs which afforded them satisfactory levels of income. According to some studies conducted during the period (1969), between one-fourth and one-third of the work force in the agricultural sector in the region was unemployed.

B. THE MODERNIZATION OF AGRICULTURE : FROM INSUFFICIENT TO DYNAMIC PRODUCTION

The persistence of contradictions within agriculture in Latin America which were apparently being sharpened by the modernization of agricultural enterprises and by the nature and limited coverage of technological change prompted the Commission to prepare two highly significant studies: *25 años en la agricultura de América Latina. Rasgos principales (1950-1975)* (ECLAC, 1978) and *Las transformaciones rurales en América Latina: ¿desarrollo social o marginación?* (ECLAC, 1980).

Based on these studies, the Executive Secretary to some extent reformulated the views of ECLAC regarding agriculture and highlighted a number of critical situations at the social level.

1. *The need to reinterpret agricultural development*

Enrique Iglesias maintained that while it had become customary to interpret agricultural development on the basis of definitions which

had been accepted more or less passively, the facts of the situation had begun to cast doubt upon the accuracy of these definitions.

"Firstly, it used to be asserted that the agricultural sector was the least dynamic sector, the sector least capable of responding to the stimuli of economic policy. Another interpretation held that the fundamental problem of Latin American agriculture was inadequate demand: demand from consumers was not an incentive capable of provoking an adequate response from Latin American agriculture. Finally, yet another interpretation told us that agriculture suffered from a degree of inability to respond to stimuli because of shortcomings in agricultural supply, which were fundamentally due to problems of a structural nature, land tenure and size, which prevented the sector from responding to the dynamic stimuli of government policy. These three interpretations contain some truth, and they are certain to be brought forward, with various degrees of applicability, when specific

cases in the region are analysed. However, we are convinced that they are not sufficient to explain what has been taking place in agriculture. ... I do not think we can say, in absolute terms, that agriculture in Latin America has suffered from dynamic-structural inadequacy; at least, the figures do not say so clearly" (Iglesias, 1978, p. 9).

2. The new social structure in rural areas

In the above-mentioned article, the Executive Secretary also acknowledged that significant changes had taken place in the social structure within the agricultural sector. He noted that a new type of agricultural entrepreneur had emerged who, while clearly in the minority, bore all the characteristics of the mercantile entrepreneur (or the "Schumpeterian" entrepreneur, to put it in economic terms). This phenomenon was one which Iglesias felt could not be ignored when describing Latin American rural society.

"It is also obvious that the transnational corporations have appeared on the Latin American agricultural scene and have come to play a very important role—in some cases becoming one of the principal productive agents, especially in export agriculture. Behind their presence as a part of this new profile of Latin American society, however, stand the ambivalent activities of these firms, which are already well enough known."

A large number of administrators, intermediaries, functionaries and technocrats had appeared on the scene as well, and the emergence of this group had resulted in the formation of an "intermediate social sector" which had shown itself to be quite sensitive to the dynamic stimuli of agricultural expansion.

Rural wage-earners had also taken on a number of different characteristics. While such workers had been present in the sector for a long time, they appeared to have grown tremendously in number during the immediately preceding years as a result of the large mercantile enterprises' need for increasingly large numbers of non-manual and manual workers. This had gradually led to the consolidation of a large new

wage-earning class within the Latin American social structure.

These changes were taking place even while large segments of traditional agriculture in Latin America continued to exist and even to grow, and to employ millions of people who continued to live and work under primitive conditions.

3. Old and new rural problems

These observations illustrate the other side of the coin: despite the strong growth of agriculture and the appreciable changes taking place in rural society in Latin America, long-standing social problems not only persisted but, in some cases, were even growing worse.

Rural poverty thus continued to predominate in the region as a whole. One-half of the 100 million Latin Americans living in a situation of critical poverty were to be found in the countryside. Another important factor was unemployment and, above all, the high level of underemployment, which in some cases was equivalent to one-fourth or one-fifth of the rural population.

The unceasing migration from rural areas to urban zones had also reached truly extraordinary proportions: during the 25 years preceding the writing of the article in question, 40 million peasants had emigrated to the cities of the region, which was equivalent to nearly 50% of the increase in the agricultural population.

"To a large extent, the economic development of agriculture has followed the same general characteristics and impulses as the general system of development, the general style of growth. On the one hand, the agricultural sector has received its impulse fundamentally from the emergence of new urban structures conditioning the type and level of demand for agricultural products. The structure of agriculture has also been strongly promoted by the external sector, the types of demand arising from it, and its tendency towards internationalization, all of which have imposed certain special features on the development of agriculture."

"These two facts have encouraged the emergence of a very important and very necessary

modern sector, which has been the main beneficiary of economic policies and of the allocation of resources, as well as of technical progress. However, this modern sector has not been capable of solving the social problems of agriculture, since the traditional sector, where the major social problems ... are rooted, has remained outside the range of government policies, and even outside the dynamic context of the economy."

"In other words, a social structure has gradually been created in which there exists a modern sector which responds to the dynamic stimuli of a consumer society, and which fundamentally depends on the middle and high strata and on changes and growth in international demand, but there has not been any growth structure capable of stimulating the transformation of so-called traditional agriculture, which, in many countries of the region, remains one of the great and painful challenges to the policies and imagination of governments."

"... Furthermore, it is very important that in one way or another the traditional peasant sector should begin to play an active role in the development of Latin America. In this way it will be possible to solve both the economic problem and the social problem involved in the ambivalence to which we refer" (Iglesias, 1978, pp. 12-13).

4. Considerations involved in dealing with the agrarian problem

In the view of the Executive Secretary of ECLAC during the period in question, in order to deal properly with the agrarian question, special attention would have to be devoted to six major issues (Iglesias, 1978).

Firstly, some type of deliberate action had to be taken by the State. This meant that the State's planning capacity — i.e., the ability to look ahead, to make provision for future circumstances and, especially, to give continuity to agricultural policy— would be a fundamental factor of even greater importance than in the past in any type of economic strategy.

Secondly, Iglesias asserted that rural development was not possible unless the sector's problems were attacked at their roots; in many cases, the first step therefore had to be to make

changes in the land tenure system and in other institutional structures which had been holding back rural development.

A third highly relevant observation made by the Executive Secretary was based on the experience of the preceding years: "In countries where the market plays a fundamental role in the allocation of resources, there must be consistency in the application of the rules of the market where agriculture is concerned. Many years have been spent on experiments with partial policies which were very often contradictory and of short duration."

He also proposed that resources be reallocated by the governments of the countries in question. "The dynamics of the modern sectors, both in agriculture and in industry, mean that they have a very high capacity to absorb resources: the natural tendency is for the modern sector of our economies to become the major source of demand and to monopolize the resources of society, and as a result, in agricultural programmes, traditional agriculture has to compete with considerable demands from modern urban and agricultural sectors which have greater relative weight, greater bargaining power and greater political weight."

ECLAC further recommended that emphasis be placed on technology in view of its highly important role as a dynamic factor in Latin America. It was also noted, however, that in many instances foreign technologies had been adopted which were incompatible with both the resources and the social problems of the Latin American agricultural sector. Defining the types of technologies which would be in keeping with Latin American agriculture's available resources was seen as another urgent task which had to be accomplished in order to ensure the viability of the programmes designed to deal with these challenges.

Finally, Iglesias brought up a consideration which has occupied a prominent place in ECLAC's thinking over the years: the need to free up resources in order to meet a much more diversified and stronger agricultural demand. "Income distribution policies of all types will in fact mean greater dynamic capacity to impel the growth of agricultural demand, so that in this way they offer a renewed stimulus to agriculture" (Iglesias, 1978, p. 15).

5. *Employment and the retention of the rural population*

One factor of tremendous importance which was seen as fully justifying the countries' concern in regard to the peasant segments of their agricultural sectors and their gradual transformation into a refuge for the rural population was the current and future employment problem.

"In many of our countries we are facing problems of poverty, problems of exceptional population growth, and a challenge which no other capitalist, under-developed or socialist region has had to face: by the end of the century we have to double the number of jobs available. I am not talking about the countries of the Southern Cone, which have low population growth rates; in the region as a whole [however], the

100 million jobs needed to keep the population employed now will have increased to 220 million by the end of the century. It must not be forgotten that, whatever population policies or social policies may be adopted, this population has already been born. This means a demand for jobs which is completely unheard-of in the experience of any of the world's economic systems. I believe we must be aware that there will be no solution to the problem of employment unless some solution is found for the rural social problem, in which employment is fundamental. If agriculture is not enabled to retain the population in a productive way—and with much higher levels of productivity than at present—the whole problem of employment in Latin America will be absolutely impossible to solve" (Iglesias, 1978, p. 16).

C. THE PEASANTRY IN RECENT ECLAC ANALYSES

In an effort to promote the transformation of what is known as traditional agriculture, which, in many countries of the region, as Iglesias said, "remains one of the great and painful challenges to the policies and imagination of governments" (Iglesias, 1978, p. 13), ECLAC undertook an intensive project in conjunction with FAO whose aim was to arrive at a fuller understanding of what is referred to as the pre-capitalist, *minifundia*-based or traditional area of agriculture. A large number of publications⁴ bear witness to the great importance attributed by ECLAC to peasant agriculture since 1978.

In a departure from the marginal or incidental treatment which had generally been given to this subject, these studies have contributed to a better understanding of the so-called traditional areas of agriculture. The progress made in this regard has primarily been due to the rejection of a set of beliefs about this subsector which, although widely accepted in the region, had proved to lead nowhere, inasmuch as they acknowledged neither any contribution nor any

appreciable capacities on the part of the vast majority of the rural population in Latin America. As a social class, the peasantry had been depicted as lacking the development potential that would have justified it as an active and dynamic social agent and given it a role in public strategies and policies. In some passages of certain documents, the peasantry was portrayed as a group destined for dispersion in an industrialization process which "unfortunately" was not absorbing it. This slant on the subject not only ignored the very real contributions made by the peasantry, but also presented a distorted picture of the true potential represented by this form of agriculture within the development process.

In its recent work, ECLAC has attempted to discover the nature of the implicit rationale of family-based agriculture, as well as to ascertain the scope of this social phenomenon, to assess its contributions to the whole of society and to study its linkages in the social and economic life of the region.

1. *The importance of peasant agriculture*

"The significance and importance of peasant agriculture as a force in agricultural production are beyond question", stated López Cordovez,

⁴See, among others, Schejman (1980), ECLAC (1984a and 1984b), ECLAC/UNEP (1983). See also *CEPAL Review*, No. 16, Santiago, Chile, April 1982, articles by L. López Cordovez, R. Brignol and J. Crispi, J. Durston, K. Heynig and E. Ortega; ECLAC (1984a, 1984b and 1984c); ECLAC/FAO (1986a and 1986b); and Ortega (1986).

Chief of the Joint ECLAC/FAO Agriculture Division, in 1982. In addition to highlighting its contributions, especially in the area of food production, he noted that the production activities of small-scale family-operated farms are often overshadowed to such an extent by the advances of entrepreneurial agriculture that the former's role in the functioning and dynamics of the sector is entirely overlooked. The increasingly monetary basis of the operations of small-scale producers is, however, well enough documented in almost all the countries of the region, as is the branching-out of their linkages with farm markets.

According to an estimate made in the early 1980s, nearly four-fifths of the economic units in agriculture and approximately one-fifth of the corresponding surface area were owned by small-scale farmers; in terms of the land under cultivation, they were calculated to account for somewhat more than one-third, and in terms of the total area harvested, for more than two-fifths. They were also estimated to have generated two-fifths of the supply for domestic consumption and one-third of the output produced for export. Peasant agriculture has also played a fundamental role in meeting the demand for staple foodstuffs (beans, potatoes and maize), has played a significant part in the production of coffee and rice, and has furnished over two-thirds of the supply of pork.

In connection with the subject of technological change, López Cordovez noted that: "In spite of the difficulties due to the characteristics of the technological packages offered by the markets or promoted by public policies, which are not the most appropriate in terms of the conditions and needs of peasant agriculture, some of the components of those packages have been used selectively by the peasantry, which employs one or more technological inputs, thus establishing, on the basis of their own experience, simple technological packages adapted to their economic and ecological conditions. There is ample evidence that this is true, thus disproving the assumption that the peasantry is indifferent to the adoption of new technologies; what happens is that those developed have been limited by comparison with the supply available to the entrepreneurial sector" (López Cordovez, 1982, p. 25-26).

2. Some recommendations for the 1980s

The importance attributed to the peasantry in the work of the Commission is clearly evidenced in the ECLAC document *Agricultural development in the 1980s* (ECLAC, 1981), which was presented at its nineteenth session. A number of the proposals made in this document attest to the emphasis which has been placed on a fuller appreciation of the role of the peasantry as an agent of development.

In this document, ECLAC again made the point that a faster agricultural growth rate, in and of itself, would have only limited results as regards the reduction of social inequalities and rural poverty. Consequently, "The struggle against rural poverty and its eradication should be the pivotal aim of the rural development and agricultural policies implemented in the 1980s". The Commission went on to say that the most obvious contradiction in Latin American agriculture was the simultaneous existence of abundant land and of a growing number of families with no opportunity to work that land. "A landless peasant class, or one with very few resources, is synonymous with the persistence of rural poverty. Access to the land is moreover a prerequisite for making better use of the farming capacity and ability inherent in rural people, and is one way of increasing the number of productive jobs."

In the same study, integrated rural development programmes were characterized as a way of focusing efforts to help some segments of this vast peasant class, to promote their incorporation into markets, to make them receptive to technical progress and to provide them with governmental support services and assistance which would help to improve their working and living conditions. "Since those programmes do not get to the root of rural poverty, however, their results go no further than the limited scope of their own action with regard to access to productive resources."

ECLAC also expressed the view that agricultural policies must not ignore the existence of the unemployed members of the labour force. "To pass responsibility for [the solution of this problem] on to other sectors without considering in detail the capacity of employment in agriculture has not given satisfactory results."

Furthermore, it made the assertion that if agricultural research and experimentation were carried out without reference to the prevailing agrarian structures or to the availability of labour, their end results would meet the needs of the majority of producers to no more than a partial or marginal extent. "There are examples in some countries of the new possibilities opened up to large groups of peasant producers for raising both their productivity and their income through technological options centered on [their] systems of production."

Finally, ECLAC argued that the steps taken to promote and support production with a view to supplementing measures aimed at facilitating access to the land, increasing job opportunities and furthering the incorporation of technology should be designed with due consideration for two basic facts: firstly, the need to modify the tendency of the present modernization process towards concentration and exclusiveness and to promote a new pattern of development which would pave the way for the elimination of rural poverty, unemployment and social inequalities; and, secondly, the urgent need to broaden the coverage of these measures and to give priority to helping the great masses of peasants.

3. The crisis of the 1980s; agriculture and the peasantry

From the very start of the 1980s, economic activity and employment began to fall sharply, inflation gathered speed and became widespread, and the countries' obligation to service their external debts made it necessary for them to generate large trade surpluses even when this meant that they had to forgo opportunities for growth. "The adjustment policies applied by the countries of the region and the renegotiations in which they took part were, in a number of cases, successful in establishing some sort of order as regards the servicing of their external debts, but this was achieved at the cost of a great economic and social effort which could hardly be sustained over a long period" (ECLAC, 1985, p. 1).

In this same document ECLAC observed that beginning in the mid-1960s the dynamism of international trade and the economic growth of many of the countries in the region cast doubt

upon the argument that there was a need for through-going changes in economic relations at the international, regional and national levels. Later, in the mid-1970s, the fact that an abundant flow of external financing was made available strengthened many groups' conviction that the best way to eliminate the countries' external imbalances would be to free up external economic relations so that world market signals might play an increasingly important role in orienting production activities.

In general, however, as the countries' external debts increased substantially and interest rates rose, the servicing of their debts came to represent a larger and larger proportion of their exports, as was seen more clearly as the decade unfolded. Long-term structural features and cyclical economic factors both played a part in the outbreak of the most recent crisis. "Hence, when the external situation took a dramatic turn for the worse, the crisis in the prevailing style of development, which had been incubating during the 1970s, became obvious. The countries' dependence and vulnerability, although they changed considerably in outward form, grew worse, and in many cases the State was not in a position to cope with the crisis. The social problems which modernization and economic growth had once seemed to be on their way to solving were seen to be not only unresolved, but also more serious than before" (ECLAC, 1985, p. 13).

In reference to future development challenges and options, in the same document ECLAC stressed the idea that "economic growth, rather than being an ultimate goal of human endeavour, is a means to an end, i.e., a means of increasing well-being and of making it possible to achieve personal and societal development objectives". This clearly involved augmenting the total supply of goods and services, but it also entailed providing the population with genuine access to these goods so that all the people might lead a full life in which they could freely exercise their abilities. In order for economic growth to result in genuine development, it would have to be explicitly and verifiably based on principles of justice, freedom, national autonomy and pluralism.

In the medium and long terms, the Latin American countries must find appropriate ways

of modernizing and of overcoming their economic and social heterogeneity so that they might resume their development. The Commission noted that this task, which would necessarily have to be undertaken within the framework of the future consequences of the present crisis, would involve pursuing the following objectives: i) transforming the economic structure and achieving a dynamic form of growth; ii) progressing towards more equitable societies; iii) broadening the autonomy of the countries of the region so that they might engage in more even-handed economic relations with the industrialized nations; iv) increasing and channelling the participation of all sectors of the population in the economy and society, and strengthening democratic systems.

ECLAC also advocated maximizing the region's exportable agricultural output and making the most of the comparative advantages which the countries derived from their abundant supply of natural resources and the low cost of non-specialized manpower by raising the level of processing carried out within the region and improving the competitiveness of its processed products in the markets of the centres. This would upgrade the countries' existing comparative advantages not only by augmenting the amount of income they would obtain from a given level of world demand, but also by preparing them for the time when the industrialized countries might adopt a less protectionist stance than at present.

The Commission also recommended that a transformation of production be undertaken such that agricultural development would be reoriented towards the attainment of a situation of food security, averring that, even within the context of international competition, the pursuit of this goal would provide a wide range of opportunities for economic growth coupled with greater equity and a decrease in the countries' external vulnerability. This being so, such an effort would very probably also create conditions conducive to a considerable expansion of the domestic markets of many countries of the region since it would result in the diversification of the linkages between agriculture and industry and would make it feasible to provide substitutes for imported food products, as well as making it possible to tap the potential market associated

with the satisfaction of the basic food and nutritional needs of the lower-income groups of the population. Moreover, if a modernization process centred around the peasantry were to succeed in bringing about an actual reduction in rural poverty, then this segment of the population would increase its demand for other types of goods (ECLAC, 1985, p. 52).

As regards the effort to attain greater equity, ECLAC has again devoted a great deal of attention to the peasantry. In the above-mentioned document it stated that a highly differentiated growth process could lead to greater equity if accompanied by policies aimed at changing the conditions determining the distribution of remunerations or of consumption or by redistributive policies providing for transfers of income or of goods and services in order to rectify the results produced by the operation of market mechanisms.

The former type of policy, it was noted, should stress programmes designed to further the modernization of peasant farms and of small and medium-scale urban enterprises by providing means of production and access to credit and by disseminating appropriate technical know-how and management techniques. As regards the demand for wage labour, emphasis should be placed on the adaptation or creation of occupational structures which, above and beyond the set requirements for production techniques, would provide jobs for the skilled manpower in abundant supply locally. The Commission went on to observe that the foregoing was applicable both to goods-producing activities and to public services as a whole.

In reaffirming the need for a better articulation of the production structure, ECLAC highlighted two major objectives of agricultural development. The first was the eradication of rural poverty, which, while clearly forming part of the broader problem of poverty in general, had undoubtedly reached more dramatic proportions in agricultural zones and was associated with problems of unemployment and with the development of the areas where rural poverty was most severe. The second objective identified by ECLAC was a significant reduction of the external vulnerability of important branches of production such as foodstuffs. Both of these objectives were seen as forming part of the

greater goal of food security, whose pursuance called for the establishment of national food systems (ECLAC, 1985, p. 74).

In order to achieve these two objectives, the Commission suggested that special attention and effort be focused on a number of processes. These included, first of all, that of reversing the productive heterogeneity of the agricultural sector by strengthening the peasant economy. To this end, one important step was to ensure suitable access to productive resources (land, water, inputs and tools) to an extent and under conditions which would permit the satisfaction of basic needs and give this sector independent control over its production and marketing activities.

Another process mentioned in this connection was the selective reorientation of the transfer of surpluses. During an initial stage, such surpluses would be retained by the agricultural sector. This process would also involve a transfer not only from non-agricultural sectors to agriculture as a whole, but also from the modern agricultural sector to peasant agriculture in those cases where the latter is capable of dynamic growth. Appropriate price and credit policies would be important in this regard, as would the implementation of infrastructure works, particularly in zones associated with peasant agriculture.

A third process identified by the Commission in this regard was the industrialization of agriculture and a reappraisal of the importance of the rural sector. The objective in this respect would be to set up a series of complementary activities linked to the processing of agricultural products and the production of agricultural inputs in proximity to farms and elsewhere in rural zones. This would help both to solve the unemployment problem and to galvanize the development of predominantly agricultural areas.

The Commission also underscored the need to steadily reduce the asymmetry of Latin America's position in the international economy. To this end, it called upon the region to increase those exports for which the outlook on world markets is the most promising and those in which it would be feasible to incorporate a greater added value.

Another highly important process that was mentioned in this connection was the reduction

of the region's technological dependence. This would entail a more creative adaptation of the available technologies so that they would be better suited to local supplies of resources and to the development needs of the country concerned. The role of the State would also be a decisive factor in this regard.

Finally, there is the process of rehabilitating ecosystems and halting their deterioration. As a result of the marked growth of modern agribusiness, peasant agriculture has increasingly been concentrated in areas having less productive, and in some cases only marginal, natural resources. In the above-mentioned document, the point was made that this leads to a deterioration of such natural resources which must first be stopped and then reversed with the help of specific policies tailored to the types of products and the zones involved. The decentralization of certain sorts of decisions-making processes, it was noted, might contribute to the achievement of this objective.

At the Commission's most recent session, held in Rio de Janeiro in April 1988, the Executive Secretary presented a document (ECLAC, 1988) in which special attention was once again devoted to the subject of growth and equity. In this document it is asserted that "a selective approach must necessarily be used in applying policies to improve the distribution of income and reduce extreme poverty. This means that certain strata of the population or certain regions must be specifically singled out as the object of various combinations of policies".

With regard to low-income groups in rural areas, the Executive Secretary remarked that the economic crisis of the 1980s has cast further doubt on the theory that a dynamic trend is at work whereby the active population employed in agriculture can be reduced through training and absorption in productive jobs in other sectors, together with increases in the productivity of the labour force remaining in agriculture. This trend is, he observed, now being counteracted by a combination of long-standing, unresolved problems and the recent accumulation of a further social deficit in rural areas as a result of the collapse of urban labour markets over a period of several years.

The severity of these problems and the pace at which they are growing worse differ according to the particular set of circumstances existing in

each nation. In general, in those countries where the population shift and occupational transition are more recent phenomena or are only just beginning, the rural environment is conducive to the integration of economic and social policies, inasmuch as, on the one hand, a larger percentage of the people in rural zones are living in poverty and, on the other hand, these areas produce a significant share of the staple foods consumed by the majority of the population.

Moreover, the production units formed by the population associated directly or indirectly with the peasant economy have the potential to generate a larger supply of basic foodstuffs per net unit of imported input requirements. These activities also lend themselves to a higher level of employment per unit of product and require a smaller price increment as an incentive for increasing the supply of the products or services they furnish (ECLAC, 1988, p. 56).

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