

CEPAL Review

Director

RAUL PREBISCH

Technical Secretary

ADOLFO GURRIERI

Editor

GREGORIO WEINBERG



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our own socio-economic conceptions must be reviewed in a critical light.

This review demands maximum effort on our part and economic policies and actions which are as rational as possible.

It is necessary to promote the expansion of world trade through the use of our own potentialities. If foreign capital is a necessary complement to domestic efforts, we must have solid and stable economies which invite foreign capital to participate in a common task and ensure that the mutual benefit is safeguarded by appropriate methods which do not thwart this objective.

The Latin American community, which shares a geographical area and has common traditions which are closely interwoven, must strive to expand economic, financial and technological exchanges within the region at the same time as with the rest of the world. The similarity of our problems, the common aspirations to give our peoples greater

well-being and prosperity on a solid and durable basis, are of particular help in this task and make it an effective stimulus to progress.

CEPAL has demonstrated a desire for renewal and a concern to seek realistic solutions to the economic and social problems of Latin America.

We cannot but enthusiastically welcome this promising trend towards modernization of its thinking, and on its thirtieth anniversary we encourage CEPAL to continue to improve its tools of analysis and its recommendations.

It is a pleasure for me to cordially greet Mr. Enrique Iglesias, the Executive Secretary of CEPAL, and through him all the outstanding professionals and other staff members working with him on the day-to-day tasks of the institution, and to wish them every success in their future work.

In addition, a special greeting for Dr. Raúl Prebisch, whose activities internationally are one with the history of CEPAL.

Statement by Mr. Raúl Prebisch

Three fundamental considerations have guided the CEPAL secretariat in its efforts to contribute to Latin American development.

Firstly, to resist the easy allure of theories conceived in the major centres which, despite their apparent universality, were unable to describe a Latin American reality and social structure very different from theirs.

Secondly, to engage in systematic analysis of this reality in order to act upon it, using an approach which is authentic and not seen through the eyes of the centres.

Thirdly, to recognize the continuous changes in real phenomena and the need for perpetual revision of our thinking.

When we began our activities, the centres were still advocating the out-dated model of the international division of labour, within which there was no place for planned industrialization of our countries, CEPAL determined to demonstrate that industrialization was an inescapable requirement for development. And for various reasons:

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.

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.

There are very few now who disagree with this CEPAL view, but at that early stage it was a heretical doctrine.

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?

Furthermore, import substitution is far from having been an unshakable CEPAL dogma. From our very first reports we showed that opportunities for easy substitution were running out in the Latin American countries which had progressed furthest along those lines. And one of the reasons which prompted us to advocate a policy of mutual trade through the gradual development of the Latin American common market, was clear recognition of the need to export manufactures. This had to be done first of all among ourselves, in order to overcome the constraint of small markets and reduce production costs. Afterwards we would be able to think of exporting such products to the centres.

This point needs to be emphasized, since there are some who appear to forget it. We were perhaps the first, at the beginning of the 1970s, to draw attention to the lack of symmetry in industrialization policy: substitution was subsidized through the use of protectionist customs duties—generally excessive—while exports of manufactures were abandoned.

The pendulum is now tending to swing to the other extreme, on the assumption that if only there is an intention to export, the markets of the centres will open up. How different the reality is! The struggle within UNCTAD—promoted by CEPAL itself—to persuade the central countries to pursue a policy favourable to our industrial exports has been long and difficult. But very little has been achieved and—worse—when efficiency in exporting is attained, new obstacles and restrictions are introduced.

From another standpoint, CEPAL has persistently urged the need for a policy of international co-operation concerning primary products. It has advocated stabilization agreements; and out-dated doctrines have been invoked to oppose them. It has been held that such agreements run counter to the sacrosanct laws of the market. But apparently such laws are not broken when the production of certain agricultural products in the central countries is deliberately held back in order to improve their export prices.

The major countries never infringe their economic principles; if they do not like them, they simply change them!

The idea of development planning put forward by CEPAL was also strongly resisted. Planning was confused with centralized control of the economy, although we never had such a thing in mind. The critics did not take the trouble to read our papers, in which we maintained that planning not only did not work against individual initiative, but was in fact an effective instrument to encourage its expansion. And at the same time was affirmed the desirability of encouraging the initiative of our

own entrepreneurs. Further, we acknowledged the valuable role of the market; but the market lacks a time horizon and a social horizon. Hence the complementary role of planning.

It should be noted here that this and other unfavourable attitudes to CEPAL's thinking changed markedly in the United States with the forthright support given to us by Kennedy when he became President. It is a matter of great satisfaction to report that we are now receiving such support also from President Carter, and without curtailing our intellectual independence.

CEPAL did not come into existence with a systematic body of doctrine; it progressively formulated doctrines in response to changing and increasingly complex realities. As a result, I think that we were also the first to maintain that Latin American development manifested growing inequalities in income distribution. In a report submitted to Governments as early as 1963 we calculated that about 40% of the population of Latin America had not managed to obtain a significant share of the benefits of development. Nevertheless, we resisted the illusion that simple redistributive measures would correct this fundamental shortcoming. What was essential, in our view, was a dynamic distribution policy, which involved raising this group's lagging productivity and incomes through more intensive capital accumulation (both in the form of physical capital and by means of manpower training), without prejudice to any sensible redistribution measures for immediate application. Greater accumulation was and remains indispensable for the productive use of the labour force which the operation of the system tends to exclude from development. We were saying that 15 years ago, and *a fortiori* we are repeating it today.

It is necessary to speed up the pace of development through this more intensive accumulation, to decide to whose hands accumulation would best be entrusted and at the same time to alter the composition of the total product. Naturally this acceleration will also demand a clear and far-sighted policy of trade and financial co-operation at the international level.

But we have not achieved this either, and in its place we are enthusiastically urged to meet basic needs. After some delay certain economists from the northern hemisphere have discovered what they are in the habit of calling "critical poverty". Who could deny the need to eradicate it? I myself would be the last to do so. But at all events I resist such simplifications. Poverty is an integral part of the problem of development, and cannot be dealt with in isolation. It is a problem which calls for

energetic steps to be taken domestically and through international co-operation.

By now no-one doubts that the system tends to leave the lower groups in the social structure outside the mainstream of development. I hold this view after long and thorough reflection. This is how the laws of the market work. This does not happen because of the shortcomings of the market, which, I feel, is of great economic and, above all, political significance. It is not the market itself, but what stands behind it. We have a social structure which gives rise to power relations which have a considerable influence on the unequal distribution of income, and these relations result in a substantial share of the benefits of the growing productivity of the system being concentrated in the upper strata. On them rests the privileged consumer society, the fervent imitation of the patterns of consumption in the centres, to the detriment of the capital accumulation essential for the productive absorption of the lower strata. To this is added the fact that income is suctioned off towards the centres, which are increasingly linked with the consumer society.

The consumer society, then, is incompatible with the integration of the underprivileged masses into society. But recently discussion has turned to a new conception: the social market economy. This offers clear proof of our continued intellectual dependence on the centres. There, social integration has been achieved to a large extent. But can we speak of a social market economy in our periphery, where a persistently substantial proportion of the population is vegetating in a society of under-consumption?

Belief in the regulatory virtues of the spontaneous forces of the economy, which has dominated thought for two centuries, has stifled the ethical meaning of development. This certainly cannot be laid at the door of Adam Smith, for before writing his *Inquiry into the Nature and Causes of the Wealth of Nations* the father of political economy was a professor of ethics.

The social meaning of development has been flagrantly perverted. Consequently serious transformations are required, with ethics to stimulate them and rationality to carry them out.

Statement by Mr. Enrique V. Iglesias

It is a great honour for me and for all of my colleagues in CEPAL to receive you all here today. I should like to thank the Chilean Minister for Foreign Affairs and all the distinguished Chilean personalities who are with us today, because their presence confirms once again the continuous solidarity of their country throughout the 30 years the United Nations has been in Santiago. I should also like to thank His Eminence Cardinal Raul Silva Henríquez for his beautiful prayer, which, coming from the representative of one of the most important spiritual movements of mankind, reminded us at the start of this ceremony of the profound ethical spirit which should inspire the activities of the United Nations. His words have furnished an excellent atmosphere for this ceremony. My gratitude also goes to the Secretary-General of the Organization and his representative, and in a very special way to all the Heads of State and government representatives who have moved us with their very deeply felt messages. And, of course, I should like to express my thanks for the words of the founder of this institution, who continues to be one of its major sources of inspiration: my dear friend Raul Prebisch.

Occasions like this are milestones which invite each and every one of us to remember the passing of time and offer us an opportunity to reflect and receive good wishes from good friends such as yourselves, and also to renew the undertakings arising from the tasks for which we are responsible.

I am not going to give you a history of CEPAL. Others have done so, and will do so in the future, in this very place. Your words today, inspired by generous spirit and friendship, have made us think deeply about what CEPAL means to you. I do wish to note—very briefly, as we do not want to take up too much of your time—something that in a way has motivated so many people over 30 years of work: some who are here with us today, others who are not, and yet others who, though absent, will I am sure always be remembered in CEPAL. I am referring to an energetic, sometimes impassioned vocation to give this Latin America a certain identity; the vocation to be and to do which for 30 years we have tried to project in the region, born from our conviction that the only legitimate inspiration of CEPAL's work lies in contact with reality, with the actual problems besetting the countries