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## Styles of development in Latin America

Aníbal Pinto\*

The discussion of styles of development has been complicated by the improper use of this and other associated terms. In order to avoid misunderstandings, this article starts by examining the concepts of system and structure and on this basis, goes on to define a style of development as "the way in which human and material resources are organized and assigned within a particular system with the object of solving such questions as what goods and services to produce; how; and for whom". More specifically, it notes two sets of features of such styles: (a) those which make up the structural basis of the production apparatus, especially the sectoral structure of the product and employment, the various technological strata, and the predominant type of external relationship, and (b) the dynamic elements of the system, which are revealed by analysing the level and composition of demand and its underlying basic factors, namely the level and distribution of income. These two sets of features are closely linked by a circle of mutual cause and effect.

The article does not limit itself to a conceptual explanation: on the basis of statistical data it also describes the prevailing economic styles in Latin America, the fundamental problems which beset them, and the possible options for solving these.

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## 1 General concepts<sup>1</sup>

In view of the growing interest in "styles of development" and the discussions that have arisen about them, there is some danger that old discussions and problems may be revived under new slogans, adding little of substance and perhaps even accentuating misunderstandings or serving as the basis for sterile exercises.

Accepting the foregoing and taking it as a useful warning should not be carried to the extreme of disparaging the whole subject and the efforts that have long been made to elucidate it, however. It is a well-known fact that important changes in meaning and approach usually begin with what seem to be or are considered as purely formal or semantic modifications. A case in point is the transition from the concept of growth to that of development, where the conceptual difference between them took time to crystallize. The concept of development has since been the subject of continual re-interpretations,

<sup>1</sup>In writing this article the studies by Marshall Wolfe and Jorge Graciarena which appear in this same publication were also taken into account. While it is obviously necessary to integrate the various approaches and to forge ahead along those lines, it also seems certain that it would be useful to have some division of labour in this effort, at least at the present stage of the discussion. Accordingly, this article deals mainly with economic approaches, and there is therefore no room for disparaging references to economism (however broad) or to the sociologism or politicism of other approaches.

The information on which this article is based was prepared with painstaking care, but also with imagination, by the economist Santiago Jadue, of the CEPAL Economic Development Division.

which have still not jelled into a new term that adequately expresses them. The only expressions which have so far come into general usage are an extension ("social" or "integrated" development) and a caricature ("developmentalism") which give little more than the restricted or insufficient concept of growth, with some additional critical considerations on dependence and long-term prospects<sup>2</sup>.

Be that as it may, the fact is that the term "style" is used in very different ways and this leads to confusion.

Before attempting or recalling any definition, it would seem best to place the subject within a specific historical context.

Let us first of all investigate the origins—which, incidentally, are relatively recent — of the interest shown in this matter. It is common knowledge that the discussion stems from widely differing sources.

In the first place, it derives from the growing dissatisfaction with the quality of life and the deterioration of the environment in the industrialized or post-industrial societies. The extensive and varied literature existing on the subject renders any digression in this respect unnecessary.

Secondly, the same and other arguments are reproduced to a lesser but definitely growing degree in the semi-industrialized economies (in Latin

<sup>2</sup>It is worth noting that although developmentalism became the facile and favourite target of many authors, few took the trouble to investigate and explain its meaning. A conspicuous exception is Luciano Martins in *Industrialização e desenvolvimento*, Editora Saga, Rio de Janeiro, 1967.

America, for example), which are just becoming aware of the problems involved in continuing their progress towards the point reached by the advanced countries, and are beginning to suffer the effects of this process<sup>3</sup>.

Criticism is also prevalent in many countries (mainly in Asia and Africa) which have not reached the threshold of the industrial society and in some cases are still far from doing so. Here, the discontent is fed by a combination of fairly explicit and rationalized elements, such as the discouraging view of the Western industrialized model, the idea that this pattern threatens or is antagonistic to deep-rooted cultural values which are worth preserving, and the awareness that the rejected scheme is neither feasible nor capable of solving their cardinal problems.

In other words, concern about the "style of development" is shown by those who are sick and tired of the "affluent society", those who — while half way 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.

The first comment that may be made on this state of affairs is that it represents a complete change of view compared with past habits. Generally speaking, as an international economy and society was gradually coming into

<sup>3</sup>The word "advanced" is not used in any ironic sense here, since the industrialized economies are undoubtedly advanced in terms of the development perspective guiding them and of the objective fact that they have achieved a high degree of "freedom from want" (actual or potential).

being, the prevailing criterion was that the patterns of evolution and progress for all nations should be those established by the more advanced and dominant communities, which, in the words of the Communist Manifesto, tended to transform the world in their own semblance and image<sup>4</sup>.

Now, however, 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.

In other words, criticisms of the prevailing style are emerging and spreading in circumstances notably different from those existing at the time of the eclipse or decline of other great

<sup>4</sup>In the introduction to the document entitled "Technical progress and socio-economic development in Latin America: General analysis and recommendations for a technological policy" (ST/CEPAL/C.53/L.2, November 1974), this question was referred to in the following terms: "It is common knowledge that two main currents which appeared and prevailed in the nineteenth century and which still reflect rival views today — what we could call the liberal and the marxist currents — shared the conviction that industrial capitalism would spread *urbi et orbi*, replicating in outline the central economies. Naturally, both outlooks differed greatly with respect to the social costs of transformation and its later aims, but both and it is worth repeating, looked to the revolution of production forms and means — in fact, technical progress — to open the way to finding solutions to the material, institutional, and cultural impediments which bog down the precapitalist communities, or were won over by the preliminary phases of the evolution of the system".

established orders — the Roman Empire, the feudal system, etc. This fact gives the present crisis a unique significance which has not been properly clarified. Nor, incidentally, is there any real basis for the parallels repeatedly drawn between the present situation and the depression of the 1930s.

A fact which is less often considered but is of prime importance in the discussion of these concerns is that they and the consequent criticisms and reservations are limited to a fairly restricted, although broadening, social context. That is to say, everywhere the broad masses are excluded from the discussion, be they in the central countries, the semi-industrialized countries, or those on the periphery. What is more, if their feelings on these points could be ascertained, it seems fairly obvious that the overwhelming majority would be inclined to "suffer" the ills of the affluent consumer society rather than remain in their present situation, or, in the case of the masses in the central countries, to risk all they have so recently and laboriously achieved for the sake of a different and uncertain style or mode of development.

Even though it may be open to misunderstanding, this point must be emphasized in order both to determine the nature and depth of the aforementioned concerns and to comprehend the vital importance of fully exploring alternative courses that would have the support and understanding of the broad masses.

Approaching the matter from a different angle, it is quite easy to agree with various writers — among them my colleagues Wolfe and Graciarena — about the confusion surrounding the

terminology and concepts used in the discussion. Styles, models, systems, structures, patterns, profiles, etc. are either currently used as though they were synonymous terms, or else the differences between the words and their special meanings are not strictly defined. I myself, for example, must confess that in a preliminary version of this study I used the words "system" and "style" indiscriminately<sup>5</sup>.

I do not think it would be either feasible or appropriate to venture a series of tentative definitions of each of these and other terms used. Let us instead take a different course and endeavour to identify three basic concepts which are interlinked in the discussion.

The first is that of the *system*, which for our purposes and in very general terms we shall associate with the two main opposing forms of organization co-existing in the world today: capitalism and socialism<sup>6</sup>.

The basic features of the two models are well known. They differ above all in institutional organization and in socio-political structure, but from the standpoint which interests us here the basic contrast is the relative importance of public and private expenditure, in terms of both consumption and investment. In the capitalist system, the composition and dynamics of demand are primarily linked with market forces in the area of

<sup>5</sup>A. Pinto, *Notas sobre estilos de desarrollo en América Latina* (CEPAL/DE/DRAFT 103), draft for suggestions and comments, December 1973.

<sup>6</sup>For the purposes of this study it is not really important that, as many contend, in terms of "pure" paradigms neither "capitalists" nor "socialists" are actually such.

*private* consumption and investment, and with the rate of return on the allocation of resources. In the socialist system, the *main* elements are decisions by the State (or the Plan) regarding investment and *public community consumption*<sup>7</sup>.

In line with this concept and the comments at the beginning of this study, it is well known that for some people dissatisfaction with and criticism of the existing style or situation are merely effects or necessary concomitants of the procedures and contradictions of the capitalist system. Obviously, this would seem to imply, in contrast, that the second system was immune from all the problems generated by the first.

Although the reservations and difficulties attributable to the two systems are clearly not identical<sup>8</sup>, the number of those supporting such an extreme over-simplified view has decreased considerably. Conversely, there are more and more people who think that there are some questions which go beyond this dichotomy, e.g., problems of the environment, urban agglomeration, the dissatisfaction of youth, etc.

Following a different approach, a second important category derives from

<sup>7</sup>In 1970, the Soviet Union spent 23 per cent of the national income on education, health and cultural activities of various kinds. See V. Komarov, "The service sphere and its structure", *Problems of Economics*, vol. XVI, No 3, New York, July 1973.

<sup>8</sup>For example, some questions such as unemployment, stability, the allocation of resources in accordance with elementary needs, etc., are features of the capitalist rather than the socialist system. Others, such as the degree of openness and political participation, dynamism and technological innovation, etc., are more typical of the socialist régimes.

the classification into industrialized countries and under-developed or developing countries. The essential difference here is in *structure* and consequently, in manner of operation and in place and relationship (dominant or subordinate) in the world scheme.

From this standpoint, it seems clear that the concern about styles is primarily linked with the implications of the industrialized community, both when fully arrived at industrialized status and when half way there, in both capitalist and socialist systems.

In the developing economies the problems are more in the nature of the elementary question of survival, once again in both the capitalist and socialist systems. In both these situations, however, there is also a common feature, as already indicated: the conviction held by some that the continuation or reproduction of the developed industrial model is undesirable or impracticable, or both.

These perspectives are both relevant for purposes of this study and should be combined. We thus have, from the outset, a difference of *system* and another of *structure*, enabling us to identify four types of basic situations, viz.:

- (a) industrialized capitalist
- (b) developing capitalist
- (c) industrialized socialist
- (d) developing socialist.

As everyone knows and past experience has shown, there can be widely differing individual situations within these system-structure contexts.

As regards the first group, it is hardly necessary to refer to the contrasts in the development and present profile of the industrialized capitalist economies

such as the United Kingdom, the United States, Canada, Denmark, France or Switzerland.

Nor is it necessary to describe the differences between the experiences of these countries and those of such developing capitalist communities as Greece, India, Egypt, Mexico or Nigeria, and between the features characterizing the latter countries and distinguishing them from one another.

This is also applicable to the socialist world. Although they belong to the same "system", there are some notable distinctions, both between the more industrialized countries — the Soviet Union, Czechoslovakia, the German Democratic Republic — and between these countries and China or their sister countries in Europe (Bulgaria or Romania).

This is not the time or the place to go more deeply into the causes of these differences. Let us merely note that they are influenced by such important questions as the quantitative and qualitative endowment with material and human resources (compare the Soviet Union with China, the United States with Japan, India with Brazil, Argentina with Mexico, Romania with Albania, etc.); historical and cultural background (old and new civilizations); external ties (dominating entities, subsidiaries such as the former British dominions and former colonies); degree and type of political and social organization and participation, etc.

Taking all this into account, and for the purposes of this study, the point here is that in these contexts of system and structure, owing to a variety of significant factors, widely differing specific styles

manifest at all levels of social life may be discerned within each of those broad groups. Later on we shall consider the economic meaning of the concept from the angle of the situation in Latin America<sup>9</sup>.

From this point of view, therefore, I agree to all intents and purposes with one of the definitions suggested by J. Graciarena<sup>10</sup>, according to which a style is "the specific and dynamic modality adopted by a system within a particular context and at a particular moment in history". On the other hand, I disagree with his statement that "this proposition relates to a structure (or social formation) rather than a style". To my mind, his reference to a "context" should be taken precisely to apply to the structural fact of the developed-developing complex referred to above.

Within this general meaning of the term there are various possibilities regarding the scope and content of the propositions with respect to styles.

In the most restricted sense, these possibilities take the form of options *within* an existing system and structure, but involving more or less significant changes in different directions in the predominant style, depending on the prevailing values.

This, in my view, was the main line of the pioneering attempt made by the Venezuelan Centre for Development Studies (CENDES) under the guidance of Oscar Varsavsky, following up work

<sup>9</sup> See the reasons for this "methodological reduction" in footnote 1.

<sup>10</sup> This does not mean that I reject his other suggestions on the subject.

initiated in the time of the well-known economist Jorge Ahumada<sup>11</sup>. The three styles discussed in the CENDES study ("consumer", "authoritarian" and "creative") were assumed to be compatible with the general framework of Venezuelan society. In the words of that study, "in the hypotheses used there is no discontinuity or sharp change of policy which could bring about revolutionary situations or revolts".

A second possibility is that criticism of the prevailing style and the search for possible alternatives involves or requires a change in the basic setting of the process. This could mean that it is considered essential to change the *system*, i.e., to replace a capitalist system by a socialist system, or vice-versa<sup>12</sup>.

It seems fairly clear that this second possibility (and its different combinations) transcends the conceptual frontiers of the term "styles". On the other hand, the first or stricter meaning of the term considerably limits the substance and even the attractiveness of the word.

This reflection does not detract from the importance of this approach, and it does help to clarify its meaning and place *vis-à-vis* others relating primarily, as noted above, to the institutional or political context.

<sup>11</sup> See CENDES, "Estilos de desarrollo", in *El trimestre económico*, No. 144, Fondo de Cultura Económica, Mexico City, October-December 1969.

<sup>12</sup> This calls to mind a widely-published article by P. Sweezy, "Transición pacífica del socialismo al capitalismo", on the experience of Yugoslavia.

Continuing with this digression, it is useful to consider the possible relations between those categories or approximations.

Of course, it is possible to visualize a basic situation which hypothetically admits various options as regards styles, i.e., to return to Graciarena's definition, one that permits various "specific and dynamic modalities" within "a system in a particular context at a particular moment in history".

To illustrate this situation, let us take some developed capitalist economies such as the Scandinavian countries. It is conceivable that in those and other similar countries there may be a fairly broad margin for introducing appreciable changes in the prevailing style. In fact, several of them have been adopting long-term measures to combat serious problems of the industrial civilization, such as pollution and urban congestion. In others, such as the United States itself, there are also potential conditions for seemingly marginal changes which could, however, have a far-reaching impact on their mode of development. Suffice it to consider, for example, the projections of a radical change in the system of relative prices as a result of the rise in the cost of petroleum, the cheapness of which up to 1974 gave a special character to the use and allocation of production resources.

Much the same might be said about the situation of some developing economies which, either because of their production potential or because of the greater flexibility of their institutional and social frameworks, allow fairly significant changes in their style of growth.

The same speculations could be made in the light of the particular situations of various countries operating under the socialist system.

In other circumstances, however, the radius of action is far more limited or simply non-existent, so that the possibilities of modifying the prevailing style are very remote unless changes take place in the institutional and structural base. From this point of view, China's experience is one of the most impressive. Few doubt that the change in the political system after the war was a key factor in overcoming many acute and long-standing problems.

Moreover, China's rejection of the classic development scheme of the industrial economies has been another major factor in defining its unique style, in contrast to the capitalist system and the other socialist systems which basically follow the industrial community model, although they give it their own particular stamp.

Naturally, however, this does not mean that China's experience can be reproduced under other conditions, as is sometimes so ingenuously contended.

From the operational standpoint and from that of the real or potential opportunities for change, it is imperative to take these different situations into account.

From a strictly economic angle, the term "style of development" may be taken to be the way in which human and material resources are organized and assigned *within a particular system* with the object of solving such questions as what goods and services to produce, how, and for whom.

The reciprocal influences between

"for whom" to produce and "what" to produce are fairly obvious, as also are the links between them and the question of "how" to produce. In any case, it may safely be assumed that the most important factor in the global response to these questions is "for whom" to produce. As will readily be understood, it is not a case of absolute options but rather of relative preferences as regards the social distribution of the main components of the product: an aspect which can be of considerable importance, as we shall see later. The tendencies of the production system to benefit the social groups in differing proportions should be evaluated from an angle which will take into account the dynamics of the process: i.e., the fact that it is a cumulative phenomenon which gradually strengthens the tendencies toward greater or lesser inequality.

From an economic point of view, a style may be classified according to two kinds of closely interrelated factors. The first are structural factors, which

reveal the way in which the production apparatus has been organized from the standpoint of the economic resources and the structure of supply. It is a static perspective, but of fundamental importance since it represents the framework of the system at a given moment.

The other class of factors includes those which are vital for the operation or dynamics of the system: those which "drive" it. They are associated with the level and composition of demand and with its basic factor, the level and distribution of income.

At the risk of repetition, emphasis must be placed on the interrelationship of these factors. Those which "drive" or infuse dynamism into the production structure are obviously conditioned by the conformation of that structure, *whose relative rigidity in the short term has a significant effect on the operation of the motive forces*. These, in their turn, constantly influence the production structure and either favour change in it or further accentuate its features.

## 2

### The structural base

The relevant data are presented for Latin America as a whole and for two contrasting cases of countries which represent variations of the "general style", mainly on account of the stage of development reached.

Table 1 shows the conformation of the structures of production and employment in the region in 1970<sup>13</sup>. The distinctive features are well known

and there is no need to dwell on them, except in two respects. The first is the still very high participation of agricultural employment — a generic sign that the development of the forces of production is still at an incipient

<sup>13</sup>For further information on the subject, see "Trends and structures of the

Latin American economy in the 1960s", *Economic Survey of Latin America, 1970* (United Nations Publication, Sales No: E. 72. II.G.1).

stage — which is ultimately reflected in the per capita product or income<sup>14</sup>. The prevailing style (and its alternatives) rests on this basic reality. The second important feature for our purposes is the disparity between the shares of

the various sectors in the product and employment, which is another of the factors determining under-development and simultaneously influencing the conformation of the style of growth.

Table 1  
STRUCTURE OF PRODUCT AND EMPLOYMENT, 1970

	<i>Latin America</i>		<i>Argentina</i>		<i>Nicaragua</i>	
	<i>Structure of employment</i>	<i>Structure of product</i>	<i>Employed population</i>	<i>Gross domestic product</i>	<i>Employed population</i>	<i>Gross domestic product</i>
Agriculture, forestry, hunting and fishing	43.7	16.4	15.3	14.8	46.4	29.0
Mining and quarrying	1.2	4.1	0.7	1.8	0.6	1.1
Manufacturing	12.7	24.6	22.1	35.7	12.0	15.9
Construction	6.0	3.5	6.6	5.2	3.7	4.1
Electricity, gas, water and sanitary services	0.5	2.0			0.6	2.4
Transport and communications	3.8	6.2	7.6	9.6	3.4	5.4
Trade and finance	9.0	22.0	15.5	18.7	10.9	19.0
Other services	23.1	21.2	32.2	14.2	22.4	23.1
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: CEPAL, on the basis of official statistics.

These data permit a first approach to the questions of "what" and "how" to produce. The composition of the product and the levels (and disparities) of sectoral productivity indicate the true situation in these respects.

<sup>14</sup>About 500 dollars in 1970, which is appreciably higher than in other developing regions.

Table 1 also includes the figures for two variations of the regional situation. The contrast between the profiles of Argentina and Nicaragua is all too eloquent, as regards both the sectoral proportions and the relationships between employment and product. The spectrum of Argentina is at once more "developed" and more "balanced", this latter if consideration is given to

the shares of the important agricultural sector. It does, however, show marked disparities under the headings of "other services" and "manufacturing" in both these respects. While employment is shown to be excessive in "other services", the opposite is the case in "manufacturing". In contrast, Nicaragua's system is more "homogeneously under developed".

The production structure can also be analysed from another standpoint,

on the basis of technological strata, thus revealing the sharp disparities between the standards of productivity of economic activities. This, of course, represents the much-discussed problem of structural heterogeneity, which has a clear influence on the questions of "what" to produce, "how" and "for whom"<sup>15</sup>. Table 2 contains the estimates on technological strata for Latin America as a whole, for Argentina and for Central America.

Table 2  
LATIN AMERICA:  
CONJECTURAL BREAKDOWN OF EMPLOYMENT  
AND PRODUCT BY TECHNOLOGICAL  
STRATA AT THE END OF THE 1960s

	Latin America				Central America				Argentina			
	Mod- ern	Inter- mediate	Prim- itive	Total	Mod- ern	Inter- mediate	Prim- itive	Total	Mod- ern	Inter- mediate	Prim- itive	Total
<i>Total product</i>												
Employment	12.4	47.7	34.3	100	8.1	33.6	55.0	100	21.3	65.8	5.3	100
Product	53.3	41.6	5.1	100	42.6	48.0	9.4	100	58.6	40.5	0.9	100
<i>Agriculture</i>												
Employment	6.8	27.7	65.5	100	5.0	15.0	80.0	100	25.0	57.0	18.0	100
Product	47.5	33.2	19.3	100	43.9	30.6	25.5	100	65.1	32.3	2.6	100
<i>Manufacturing</i>												
Employment	17.5	64.9	17.6	100	14.0	57.4	28.6	100	25.6	70.6	3.8	100
Product	62.5	36.0	1.5	100	63.6	30.4	3.3	100	62.1	37.5	0.4	100
<i>Mining</i>												
Employment	38.0	34.2	27.8	100	20.0	60.0	20.0	100	50.0	40.0	10.0	100
Product	91.5	7.5	1.0	100	57.2	40.0	2.8	100	77.8	21.6	0.6	100

Sources: CEPAL, *La mano de obra y el desarrollo económico de América Latina en los últimos años*, E/CN.12/L.1.

<sup>15</sup> As regards structural heterogeneity, see *Economic Survey of Latin America, 1968* (United Nations publication, Sales No: E.70.II.G.1), and A. Pinto, "Naturaleza e implica-

ciones de la "heterogeneidad estructural" de la América Latina", *El trimestre económico*, N° 145, Fondo de Cultura Económica, Mexico City, January-March 1970.

Beginning with the overall table for the region, it can be seen immediately that while only quite a small part of the population is employed in the modern sector (a little more than 12 per cent), this sector accounts for more than half of the goods produced<sup>16</sup>. As we shall see later, certain goods (and services) which directly or indirectly satisfy certain types of demand are produced primarily or exclusively by this sector.

The mining and manufacturing sectors are those which occupy the most important place in the modern area, and particularly the former, because of the big exporting establishments so characteristic of it. In agriculture, in contrast, the poor absorption of labour in its modern sector is very marked and is responsible for the disparity among the variables chosen.

At the other end of the scale is the so-called primitive sector, which still accounts for more than a third of regional employment although its contribution to the material product is only 5 per cent<sup>17</sup>.

As another look at table 2 shows, a large share of agricultural employment (65.5 per cent) and no mean proportion

<sup>16</sup>Services have not been included, owing to the limitations attached to the concept of productivity in this respect. However, activities in that sector show equal or even greater inequalities. Productivity in the modern sector would be equal to average productivity in the developed countries, and may be estimated at between 12,000 and 15,000 dollars per worker.

<sup>17</sup>The primitive sector covers mainly subsistence agricultural activities and part of handicraft production. If services are included, of course, it accounts for a high proportion of unskilled workers. Its annual productivity per worker would probably be around 300 to 400 dollars.

of agricultural production (almost 20 per cent) are associated with the primitive sector. It seems clear that this is the source of a sizeable share of rural self-supply production. This is not so in the case of manufactures, for in this sector its share is only about 1.5 per cent of the product, although it accounts for almost 18 per cent of industrial employment.

The intermediate sector is the most "balanced" from the point of view of the employment/product ratio<sup>18</sup>. This sector accounts for almost half of the jobs offered and a little more than 40 per cent of the product. It plays a particularly important part in manufacturing activities, since it employs 65 per cent of the industrial labour force and accounts for more than a third of the product. Its share in mining production is very small, even though more than a third of the workers employed in that activity work in this sector. Therefore, of all the sectors considered, this one has the worst employment/product ratio.

Study and comparison of the figures for Argentina and Central America show different situations and features.

Taking an overall view, it is easy to see the great importance of the modern sector in Argentina, particularly from the employment figures. The respective table for Central America shows a much higher degree of imbalance, for a significantly smaller part of the labour force (8 per cent compared with a little

<sup>18</sup>Thus, of course, the activities in this sector show a level of productivity close to the national average: in absolute terms, about 2,500 dollars per worker.

more than 21 per cent in Argentina) produces much of the overall product (42.6 per cent compared with 58.6 per cent in Argentina).

Taking the opposite approach, it can be seen that in Argentina the primitive sector is of very limited importance, whereas in Central America no less than 55 per cent of total employment and 80 per cent of agricultural employment are accounted for by this sector.

This is not the place to go into further detail on the structural features of the Latin American economy, but this part would be incomplete without reference to some aspects of Latin America's external position or its external "relationships", which are of great importance for the study of development styles.

Reference should be made in particular to the openness of the Latin American economies. This shows the extent to which they are part of the scheme of the international division of labour. As everyone is aware, the region's export and import coefficients are relatively low<sup>19</sup>: a situation for which the bigger countries are largely responsible, since these coefficients range from approximately 10 per cent for Brazil, Mexico and Argentina, to more than 30 per cent for some Central American economies. The great majority of the countries increased these coefficients over the past decade, and the region became even more open during the first three years of the 1970s.

<sup>19</sup>For information on this subject see "Tendencias y estructuras de la economía latinoamericana", *op. cit.*

Other events have led to a sharpening of this trend and helped to create a different structural situation. During the 1960s, the importance of external financing in reducing the ever increasing deficit on the trade balance and current account increased<sup>20</sup>. At the same time, the external relationship was also strengthened through the constantly increasing importance of transnational enterprises in the economies of the region<sup>21</sup>.

The changes which occurred in the composition of exports and imports are yet another factor.

As regards exports, there was a small but noticeable decrease in the degree of concentration on the export of primary products in the 1960s<sup>22</sup>, while the share of manufactured products rose<sup>23</sup>. It should be borne in mind that in 1970

<sup>20</sup>Total external financing (excluding Venezuela, which is a special case) increased from 6,600 million dollars in 1950-1959 to 13,850 million in 1960-1969 (see "Tendencias y estructuras de la economía latinoamericana", *op. cit.*).

<sup>21</sup>Overall figures are not available for the percentage of regional production or country production accounted for by transnational enterprises, but it is easy to show their predominance or even monopolistic position in many major lines of durable consumer goods (especially motor vehicles) and capital goods.

<sup>22</sup>Between 1955 and 1968, the share of the main export product dropped from 62 to 50 per cent, while that of the three main products dropped from 80 to 65 per cent (see "Tendencias y estructuras de la economía latinoamericana", *op. cit.*).

<sup>23</sup>These represented approximately 2.5 per cent of the total in 1955. By 1970 the figure was in the region of 10 per cent, and they increased in the second half of the 1960s at a rate of more than 20 per cent per year.

approximately 36 per cent of the region's exports of manufactures were produced by transnational enterprises.

As regards imports, the most important change, although it was not a spectacular one, was the drop in the share of consumer goods (from 21 per cent in 1955 to 16 per cent in 1968) and the corresponding increase in capital goods.

Of course, these overall changes for the region conceal many national variations. Such variations have been much more important in the larger economies (Mexico, Brazil and Argentina), but similar trends — and therefore the same structural adjustments — are to be found in almost all the Latin American countries.

Lastly, these countries are heading in several basic directions which are of key importance for the matter under study. In particular, there is a tendency

towards the strengthening of what has come to be called the "internationalization" or dependent incorporation of the regional economies. This path has a few features which are different from those of the old model of "outward-looking growth", since emphasis is placed on greater diversification of exports and, especially, on the "internalization" and transfer through transnational enterprises of production and demand patterns (or consumption patterns), forms of technical progress, marketing and financing, etc., prevailing in the developed capitalist centres.

It is scarcely necessary to stress the enormous significance of this process for the development style or, looked at from another point of view, for the vital questions of "what", "how", and "for whom" to produce.

### 3

## The functioning of the style

The dynamics of the style - that is to say, the motivating or change-producing forces which accentuate or modify its basic profiles — are just as important as its structural base or even more so.

Although there is little information on the subject, some figures have been collected here on Latin America, and in some cases on specific national variants, from which certain major features can be seen.

Table 3 shows the growth rates of the principal industrial groupings. Subject to a few exceptions and reservations,

they give us an idea of the global dynamics, since they reflect indirectly the performance of the primary and tertiary sectors<sup>24</sup>.

<sup>24</sup>The primary sector provides the necessary inputs, while the tertiary sector will follow to some extent the expansion of the industrial groupings. The inclusion of primary production for direct consumption (after deduction of exports and inputs) would strengthen rather than change the sense of the table in question, since its rate of growth was lower. On the other hand, the table is obviously of less importance for the less industrialized countries, where the composition of imports is of greater importance.

Table 3  
LATIN AMERICA: GROWTH RATES OF THE MANUFACTURING  
SECTOR BY INDUSTRIAL GROUPINGS  
(*Cumulative annual average rate for the period 1960-1971*)

	<i>Average</i> <i>Latin</i> <i>America</i>	Argentina	Brazil <sup>a</sup>	Mexico
Food, beverages and tobacco	4.8	3.7	7.6	5.8
Food products except beverages	4.6	3.1	7.9	5.7
Beverage industries	4.9	5.7	6.3	6.9
Tobacco industry	4.3	4.9	7.1	7.2
Textiles, wearing apparel and leather industry	4.1	2.0	7.1	7.2
Wood and wood products, including furniture	2.9	3.8		4.8
Paper and paper products; printing and publishing	7.4	5.9	7.5	8.2
Chemicals and chemical, petroleum, coal, rubber and plastic products	9.0	7.9	13.1	9.2
Industrial chemicals	9.9	13.3	13.6	12.8
Other chemical products		6.6		7.8
Petroleum refineries		6.3		
Petroleum and coal products	6.4	15.4	10.6	
Rubber products	7.3	6.9	13.9	6.5
Non-metallic minerals, except petroleum and coal products	7.0	7.1	12.1	8.7
Basic metal industries	8.8	8.7	13.2	8.8
Metal products, machinery and equipment	9.5	6.9	18.4	11.9
Metal products, excluding machinery and equipment	8.3	8.4	17.9	9.0
Machinery except electrical		5.3		14.1
Electrical machinery, apparatus, appliances and supplies	10.4	5.8	12.7	11.5
Manufacture of transport equipment	10.2	7.4	23.5	13.1
Motor vehicles	13.5	10.4		15.4
Other manufacturing industries	8.2	3.0		7.7
<b>Total manufacturing industries</b>	<b>6.8</b>	<b>5.6</b>	<b>12.2</b>	<b>7.8</b>

Source: CEPAL, on the basis of official figures.

<sup>a</sup>1967-1971.

A look at the data for the region for the period 1960-1971 immediately shows that the figures for each individual grouping fluctuate considerably with respect to the average growth rate of the industries as a whole (6.8 per cent). In general terms, the rate is lower for the so-called traditional activities, where non-durable consumer goods industries

predominate; it is close to or exceeds the average in the case of intermediate activities, and it more or less easily exceeds it in the case of the basic metal industries, particularly those connected with heavy durable goods: appliances, motor vehicles, etc.

The figures describing trends in Argentina, Brazil and Mexico confirm

similar tendencies, which are less pronounced in the first of the countries mentioned but are particularly marked in Brazil. For this country the period 1967-1971 was chosen, both because the longer term covers highly dissimilar periods, and because these years of active and sustained growth at the end of the decade clearly bring out the sources of dynamism of the existing style. In the case of Brazil, as we can likewise see from table 3, the average overall rate of 12.2 per cent is made up of quite a high rate of expansion in "traditional" activities (around 7 per cent) — a feature which cannot be overlooked — but extraordinarily high rates in the basic metal industries, particularly as regards heavy durable goods<sup>25</sup>.

The picture which emerges is not a surprising one and it was anticipated or implied by many analyses. The usual explanation of these trends is also very well known, namely, that they are due (almost tautologically) to the different income elasticities of the demands for goods and services.

The most important thing to do, however, is to ascertain the source of this income elasticity: i.e., to determine the groups in which demand originates and the size of demand for the different classes of products.

<sup>25</sup> It is essential to make a distinction between activities devoted to capital formation and those devoted to the production of durable consumer goods (despite all the difficulties that drawing such a distinction implies) if more light is to be thrown on the subject. The same could be said of a breakdown of the items of current consumption into mass consumer goods and other types of goods with more limited uses, such as certain food or textile products.

In other words, the unequal rates of growth of the industrial groupings provide an approximate indication of the tendencies of the system or style as regards what is to be produced. The next question is to find out to which groups these efforts are directed, since these are the economic mandants in this matter: in other words, "for whom" is the system producing (primarily or exclusively) the various goods.

In table 4 an attempt is made to provide an approximate answer to these questions, bearing in mind the participation of the different income strata in the total consumption of the main items, listed by type - foodstuffs, clothing, housing, services, durable goods.

Without going into details, it is nevertheless possible to bring out some principal relations.

Using the shares of the strata represented by the poorest 50 per cent of the population and the 10 per cent in the highest income bracket as benchmarks, it is immediately obvious that the share of the first group is invariably lower than that of the second, except in respect of the consumption of cereals, and it becomes progressively smaller in respect of dearer goods and more skilled and costly services. In contrast, the 10 per cent of the population in the highest income bracket account for a very large share of such goods as motor vehicles (85 per cent), recreational activities (75 per cent), domestic services (82 per cent), appliances (50 per cent), clothing (44 per cent), meat (40 per cent), housing (44 per cent), etc.

If we add to the consumption of this bracket that of the 20 per cent of the population in the next lower income

**Table 4**  
**LATIN AMERICA:**  
**SHARE OF DIFFERENT POPULATION**  
**STRATA IN TOTAL CONSUMPTION, BY TYPE OF CONSUMPTION,**  
**AROUND 1970<sup>a</sup>**

Population strata	Poorest 20%	Poorest 50%	20% below the richest 10%	Richest 10%
Type of consumption				
Food, beverages and tobacco	5	23	29	29
Meat	2	12	34	41
Cereals	8	32	24	19
Other foods	5	25	28	28
Beverages and tobacco	5	22	29	30
Wearing apparel	2	14	32	42
Clothing	2	13	32	44
Footwear	3	16	32	36
Housing <sup>b</sup>	2	15	29	44
Transport	1	5	25	64
Personal care <sup>c</sup>	2	15	31	41
Domestic service	—	1	16	82
Other personal services	1	4	25	67
Recreation and amusement <sup>d</sup>	—	3	20	75
Durable goods	1	6	26	61
Motor vehicles (purchase)	—	1	13	85
Houses and apartments (purchase)	2	9	29	54
Furniture	2	5	16	74
Electrical and mechanical appliances	1	5	37	50
Total	3	15	28	43

Source: CEPAL estimates based on national surveys.

<sup>a</sup>Estimated average on the basis of data from Argentina, Brazil, Chile, Colombia, Honduras, Mexico, Paraguay, Peru and Venezuela.

<sup>b</sup>Housing includes: rents, textile articles for the home, fuels, electricity, gas, water and household goods.

<sup>c</sup>Personal care includes: toilet articles, drugs and medicines, medical services, hairdressing and suchlike.

<sup>d</sup>Recreation and amusement includes: holidays and tourism, recreation, newspapers and magazines, dues to social clubs and suchlike.

bracket, it will be seen that their joint consumption amounts to between 75 and almost 100 per cent of the total in a number of cases, particularly those of the higher-priced durable consumer goods.

The figures for Argentina and Honduras (see tables 5 and 6) show, as might be expected, less marked and more acute versions respectively, of the regional table. The share of the upper bracket is

consistently lower in Argentina, and conversely that of the lower half is consistently higher. From the point of view of total consumption, the 30 per cent in the highest income bracket account for 56 per cent of consumption in Argentina as against 73 per cent in Honduras.

Table 5  
ARGENTINA:  
SHARE OF DIFFERENT POPULATION  
STRATA IN TOTAL CONSUMPTION,  
BY TYPE OF CONSUMPTION,  
AROUND 1970

<i>Type of consumption</i>	<i>Population strata</i>	Poorest 20%	Poorest 50%	20% below the richest 10%	Richest 10%
Food, beverages and tobacco		9	32	26	21
Meat		9	33	26	20
Cereals		11	37	25	18
Other foods		9	32	26	22
Beverages and tobacco		7	27	29	23
Wearing apparel		5	20	28	31
Clothing		4	18	29	34
Footwear		6	26	28	24
Housing <sup>a</sup>		8	28	27	26
Transport		3	15	32	40
Public		5	23	29	34
Private (operation)		1	7	34	51
Personal care <sup>b</sup>		8	30	27	27
Domestic service		2	6	26	61
Other personal services		2	13	28	40
Recreation and amusement <sup>c</sup>		3	14	28	44
Durable goods		2	12	27	47
Motor vehicles (purchase)		—	5	27	60
Houses and apartments (purchase)		1	7	29	53
Furniture		1	6	20	70
Electrical and mechanical appliances		5	25	26	24
<i>Total</i>		6	25	27	29

Source: CEPAL estimates based on national surveys.

<sup>a</sup>Housing includes: rents, textile articles for the home, fuels, electricity, gas, water and household goods.

<sup>b</sup>Personal care includes: toilet articles, drugs and medicines, medical services, hairdressing and suchlike.

<sup>c</sup>Recreation and amusement includes: holidays and tourism, recreation, newspapers and magazines, dues to social clubs and suchlike.

**Table 6**  
**HONDURAS:**  
**SHARE OF DIFFERENT POPULATION**  
**STRATA IN TOTAL CONSUMPTION; BY TYPE OF CONSUMPTION,**  
**AROUND 1970**

<i>Type of consumption</i>	<i>Population strata</i>	Poorest 20%	Poorest 50%	20% below the richest 10%	Richest 10%
Food, beverages and tobacco		6	18	29	35
Meat		3	9	30	52
Cereals		9	25	25	25
Other foods		6	18	30	35
Beverages and tobacco		7	21	33	27
Wearing apparel		5	13	28	46
Clothing		5	13	27	47
Footwear		5	13	30	44
Housing <sup>a</sup>		4	12	30	46
Transport		2	6	28	60
Personal care <sup>b</sup>		4	12	30	45
Domestic service		—	—	17	82
Other personal services		2	5	23	67
Recreation and amusement <sup>c</sup>		1	3	14	81
Durable goods		3	8	23	61
Motor vehicles (purchase)		—	—	5	94
Houses and apartments (purchase)		4	12	26	49
Furniture		3	8	25	58
Electrical and mechanical appliances		1	3	28	66
<i>Total</i>		5	14	28	45

Source: CEPAL estimates on the basis of national surveys.

<sup>a</sup>Housing includes: rents, textile articles for the home, fuels, electricity, gas, water and household goods.

<sup>b</sup>Personal care includes: toilet articles, drugs and medicines, medical services, hairdressing and suchlike.

<sup>c</sup>Recreation and amusement includes: holidays and tourism, recreation, newspapers and magazines, dues to social club and suchlike.

Furthermore, if we take some key items in modern consumption patterns, it will be seen that the expenditure of the poorest 50 per cent of the population on electrical and mechanical appliances hardly amounts to 3 per cent of the total

in Honduras, whereas the corresponding figure for Argentina is 25 per cent. In the case of motor vehicles, however, the poorest half of the population is of little significance in Argentina, since the acquisition of such goods is concentrated

in the highest bracket (60 per cent), although of course, the corresponding figure for Honduras is much higher: 94 per cent.

Although they are not strictly comparable, the tables on the rates of expansion of industrial activities and on the social distribution of various consumer goods are sufficiently clear and indicative to be used as a basis for a well-known assumption: that the more dynamic elements of the productive apparatus are interrelated and depend *mainly*, and

*sometimes entirely*, on the demand of the groups situated at the peak of the distributive structure. In other words, *given the level of average income in the region and in the individual countries*, if the present style of development is to work and progress, then income and expenditure must be concentrated in those strata, so as to sustain and increase demand for the favoured goods and services. If this is done, then the productive apparatus will adjust itself primarily to the satisfaction of such demand.

## 4

### Some questions and options

The situation described raises a few questions which can be put in the form of two alternatives<sup>26</sup>:

(a) the style persists and in time gradually brings other social strata into the acquisition of the new consumer goods, until their use is widespread;

(b) the style persists, but without promoting a steady and substantial integration of sizeable groups, which continue to be marginal consumers of these goods and, furthermore, remain in conditions of poverty as regards the satisfaction of their vital needs.

The first option copies the process of the central capitalist economies. The

differences in this respect have been brought out in many studies, and this is not the place to repeat them<sup>27</sup>. At all events, the "special case" of Argentina indicates that large-scale marginalizations in not an obligatory feature of the Latin American experience (the problem is dealt with later at the regional level). However, it is clear that a basic question of deadlines is involved. A gradual incorporation which might have taken a century or many decades in the past in the central economies does not seem viable in current circumstances unless politico-social restrictions are applied, although this latter possibility cannot be over-

<sup>26</sup>A further obvious possibility which is particularly applicable to the relatively less developed countries, namely, that the style does not work, has not been left out through ignorance or underestimation, but because it is felt that for these countries the external variable is much more important.

<sup>27</sup>Among others, see another study by the present author: "Concentración del progreso técnico y de sus frutos en el desarrollo latinoamericano", in *El trimestre económico*, 125, Fondo de Cultura Económica, Mexico City, January-March, 1965.

looked in the light of certain regional experiences.

Some of the remarks made above also hold good for evaluating the second option. In this option, the prevailing style leaves aside important sections of the population located in marginal rural areas and on the periphery of the cities, so that in absolute and even perhaps in relative terms, the number of non-participants remaining in a state of abject poverty increases.

Without going into the specific

viability of this option in the short or long term, it is clear that it is not acceptable in terms of the professed values of the international community<sup>28</sup>.

To probe deeper into the subject, some figures on income distribution in the region and on the changes which have taken place between 1960 and 1970 may be useful (see table 7). Although the documentation is admittedly unsatisfactory, the trends and relations which they reveal do seem to be close to the facts.

Table 7  
LATIN AMERICA:  
PER CAPITA INCOME IN 1960 DOLLARS AND CHANGES IN THE  
SHARES OF THE DIFFERENT SOCIO-ECONOMIC STRATA IN  
TOTAL INCOME OF THE REGION

Socio-economic strata	Share of each stratum in total income		Per capita income <sup>a</sup> (1960 dollars)		Rise in per capita income		Total rise by all strata (millions of 1960 dollars)	Rise of each stratum as percentage of total rise
	1960	1970	1960	1970	Percentage	1960 dollars		
Poorest 20%	3.1	2.5	53	55	3.8	2	107.6	0.4
Next 30%	10.3	11.4	118	167	41.5	49	3 919	15.4
Poorest 50%	13.4	13.9	92	122	32.6	30	4 025	15.8
Next 20%	14.1	13.9	243	306	25.9	63	3 359	13.2
20% below the top 10%	24.6	28.0	424	616	45.3	192	10 237	40.3
Top 10%	47.9	44.2	1 643	1 945	17.7	292	7 785	30.7
Top 5%	33.4	29.9	2 305	2 630	14.1	325	4 332	17.1
Total	100.0	100.0	345	440	27.5	95	25 406	100.0

Source: CEPAL, estimates on the basis of national surveys.

N.B.: The average distribution for Latin America in 1970 was estimated on the basis of information from Argentina, Brazil, Chile, Colombia, Honduras, Mexico, Paraguay and Venezuela.

<sup>a</sup> Per capita personal income.

When the information on the participation of the various strata in total income is studied, several aspects stand out. On one hand, the share of the poorest 20 per cent dropped slightly and that of the poorest 50 per cent hardly

<sup>28</sup> See CEPAL, "Report on a unified approach to development analysis and planning. Preliminary report by the Secretary-General" (revised text of the Spanish version of document E/CN.5/477 of 25 October 1972, presented at the 23rd Session of the United Nations Social Development Committee).

varied. At the other extreme — and in contrast to what is usually believed to be the case — the strata representing the 10 and 5 per cent in the highest income brackets showed a moderate drop. There was an increase, however, in the share of the stratum corresponding to the 20 per cent immediately below the richest 10 per cent from 24.6 to 28 per cent. In reality, this last-mentioned group and the group corresponding to the 30 per cent above the poorest 20 per cent are the only groups which improved their relative position.

From these points of view, therefore, it could be argued that there is a slight deconcentration of income from the social peak to the benefit of the groups in the middle and upper-middle brackets. On the other hand, there is the drop in the share of the poorest stratum.

The foregoing picture must be completed with a view of the absolute magnitudes, which clarifies and modifies some of the assumptions made in the previous paragraphs.

As may be seen from table 7, per capita income in the region is estimated to have increased by some 27 per cent between 1960 and 1970, which would represent 95 dollars at 1960 prices in absolute terms<sup>29</sup>. This average or global change meant very different things for the different strata. Thus, the smaller percentage increases of the two groups in the highest income brackets represent absolute improvements of 325 dollars for the 5 per cent at the top of the income bracket structure and 292 dollars for the top 10 per cent.

<sup>29</sup> Between these years the domestic depreciation of the dollar was almost 32 per cent.

For the 20 per cent immediately below the top 10 per cent, the big relative increase of 45 per cent represents 192 dollars in absolute terms, which is double the overall gains of all strata taken together (95 dollars).

Taking a look at the other levels of the distribution pyramid, the first thing which strikes one is the stagnation, at a very low level of income, of the poorest 20 per cent. Even the poorest 50 per cent only increased their income in absolute terms by 30 dollars, thus reaching in 1970 a level of barely 122 dollars per year, and again in this case the increases of the group (30 per cent) above the poorest 20 per cent must be taken into account.

If these striking features are examined in the light of these notes, it is easy to see their influence on the forces behind the system or the style of development.

With this in view, a calculation has been made of the increase in personal income which has taken place during this period and which amounts to the sum of 25,406 million dollars: an increase of 27 per cent with respect to 1960. From a limited point of view —namely, leaving aside other items such as retained profits and government savings — this sum represents the principal expansion factor of the market and of overall domestic demand.

How was this greater purchasing power distributed among the social strata under consideration?

As the last columns of table 7 show, almost a third of the increase (31 per cent) went to the top 10 per cent, and this share increases to 71 per cent if the following 20 per cent are included.

The poorest half, in contrast, only appears to have received a 16 per cent of

the total, and almost the whole of the poorest 20 per cent at the base of the pyramid failed to benefit from this increase.

If the increase obtained by the next 20 per cent is added to that of the strata making up this bottom half, the 70 per cent of the population is estimated to have had a 29 per cent increase in income: a figure which is lower than that received by the richest 10 per cent (31 per cent).

From another point of view, considering the absolute figures, it may be said that the expansion of the market attributable to the highest 30 per cent amounted to some 18,000 million dollars and that of the remaining 70 per cent to only 7,400 million.

These figures clearly show in which strata the income increases in the period under study were concentrated, and it is obvious that this trend corresponds roughly to that which occurred in the allocation of resources — translated, as we have seen, into different rates of expansion of the productive activities. It is worth repeating that "what to produce" has had to be brought in line with "for whom to produce".

An even clearer picture can be gained if we look again at the absolute figures for income and link them to the main items of consumption. In this respect, and in the light of the figures in table 7, some reasonable assumptions can be made.

First, it is clear that at the *regional level* approximately one-half of the population have an average per capita income of some 120 dollars per year and therefore, have great difficulties in satisfying their most elementary needs. Among them, the poorest 30 per cent are probably below any "poverty line" that

could be drawn<sup>30</sup>, while the remaining 20 per cent, whose income approximates to 200 dollars per year, are probably situated only just above it.

The upper crust of this sector, together with the 20 per cent of the population situated immediately above it, whose average income is about 300 dollars, has surely already entered the market for basic low cost industrial products and a range of cheap urban services. On the other hand, this group can only gain access to durable goods and more skilled services at considerable sacrifice, or by reducing their consumption of essential goods. Neither the shares nor the absolute increases of these strata show significant changes at this stage.

As already stated, it is a very different matter when we look at the changes which took place in the position of the 20 per cent below the richest 10 per cent. Both their share and the absolute increase in per capita income (approximately 45 per cent over the decade, thus raising this stratum above the 600 dollar mark) are of obvious importance. In fact, this stratum absorbed 40 per cent of the

<sup>30</sup>The average income of this 30 per cent of the population probably hardly exceeds some 70 dollars. The Economic Development Division of CEPAL is working on the identification, from different points of view, of "the poor of Latin America", by country, activities, rural/urban distribution, etc. It may be noted that in some studies the "poverty line" is set as low as 50 dollars per capita per year. See *Redistribution with growth: An approach to policy* by the Institute of Development Studies of the University of Sussex and the Development Research Centre, World Bank, Washington, D.C., August 1973.

overall increase in income, amounting to more than 10,000 million dollars (see table 7).

It seems reasonable to think that the members of this stratum have crossed the threshold of the market for durable goods. If we take another look at table 4 it will be seen that this group accounts for 37 per cent of the consumption of electrical and mechanical appliances, 30 per cent of the purchases of housing and related expenditure, 32 per cent of the consumption of footwear and clothing, etc. However, their access to more expensive durable goods such as motor vehicles (only 13 per cent) is still limited, although their participation in the used car market is probably increasing steadily<sup>31</sup>.

Without repeating what has been said about the highest strata in the system, some of the assumptions made may be reviewed.

On one hand, the concentrating bias of the prevailing style is beyond doubt and is clearly seen from the increases in per capita income, in absolute income, and in market potential. From this point of view it appears obvious that there is a circle of cumulative causality, in that this bias in income distribution influences the orientation of the productive system and strengthens or entrenches a given supply structure. Such a structure, in

its turn, calls for a corresponding distribution scheme. In view of the level of average income and the social destination of the most dynamic lines of production, this scheme will inevitably tend towards the concentration of income, thus completing the circle.

On the other hand, however, this style seems less exclusive than is sometimes argued. Available data suggest that it has succeeded in widening its supporting base in the upper-middle levels (the 20 per cent below the top 10 per cent) and that it has even brought about positive changes in the better-placed sectors of the poorest half of the population, although in absolute terms their incomes continue to be very low (see table 7).

The third aspect worthy of consideration is the obvious marginalization and deplorable living conditions of a fair part of the population —at least a third— which is undoubtedly situated below the abject poverty line. This gives rise to the basic question as to the value of the prevailing style, in other words, whether its functioning offers possibilities or not for raising substantially, within a reasonable period of time, the standard of living of those suffering from the highest degree of ethical, social, and political deprivation.

## 5

### The meaning of critical poverty

Before going into the possibilities which

<sup>31</sup>In Argentina, their share in the purchase of motor vehicles is 27 per cent; in Honduras, it is only 5 per cent. See tables 5 and 6.

the prevailing style offers for tackling the problem of abject poverty, an approximate idea of what the term means may be useful. In order to gain such an idea, a study has been made of the regional

situation as regards some basic consumer goods — foodstuffs (meat, cereals and others) and clothing (including footwear) — and this situation has been compared with the average levels obtained in Argentina.

As may be seen from table 8, the standards of consumption of at least 70 per cent of the Latin American population differ greatly from the figures

for Argentina, except in respect of cereals, where the figures reflect the unbalanced diet prevailing in large sectors of the region. In contrast, the consumption figures for the third stratum (the 20 per cent in the income bracket immediately below the top 10 per cent) are close to the Argentine average, and those of the group in the highest income bracket considerably surpass it.

**Table 8**  
**PER CAPITA CONSUMPTION OF FOOD, CLOTHING AND FOOTWEAR IN**  
**ARGENTINA AND IN THE DIFFERENT POPULATION**  
**STRATA OF LATIN AMERICA, 1970**  
*(1960 dollars per capita)*

	<i>Argentina</i>	<i>Latin America</i>			
		<i>Poorest 20%</i>	<i>Next 50%</i>	<i>20% below the richest 10%</i>	<i>Richest 10%</i>
Food	317	42	133	251	515
Meat	81	4	19	71	172
Cereals	29	16	29	47	74
Other	207	22	74	133	269
Wearing apparel	93	6	25	85	221
Clothing	69	4	17	63	172
Footwear	24	2	8	22	49

Source: CEPAL, estimates on the basis of national surveys.

Table 9 continues the exercise of appraising the magnitude of the increases which would be necessary to reach the levels of Argentina and of establishing in what proportion they should be distributed among the groups for each group to attain this objective.

The size of the increases needed is immediately obvious: except in the case of cereals, the consumption of the different items would have to double or nearly so. It goes without saying that the greatest increases would have to be concentrated in the poorest 20 per cent.

**Table 9**  
**LATIN AMERICA:**  
**INCREASES IN FOOD, CLOTHING AND FOOTWEAR NEEDED**  
**TO ACHIEVE PER CAPITA CONSUMPTION**  
**OF SUCH ARTICLES AT LEAST EQUAL TO AVERAGE CONSUMPTION OF THEM IN**  
**ARGENTINA IN 1970**

	<i>Necessary percentage increases over present availability of each item</i>	<i>Share of total increase corresponding to the different population strata</i>			
		<i>Poorest 20%</i>	<i>Next 50%</i>	<i>20% below the richest 10%</i>	<i>Richest 10%</i>
Food	90.9	34.3	57.4	8.3	—
Meat	118.1	32.9	61.0	6.1	—
Cereals	—15.6	43.0	—85.0	58.0	—
Other	125.4	31.2	56.4	12.5	—
Wearing apparel	99.0	32.9	64.1	3.0	—
Clothing	101.7	32.3	64.5	3.2	—
Footwear	91.1	34.7	62.5	2.8	—

*Source:* CEPAL, estimates on the basis of national surveys.

The next 50 per cent would also have to receive a somewhat higher share than that corresponding to their share of the population, however, particularly as regards clothing and footwear.

Lastly, table 10 shows the rates of growth which would have to be attained over different periods of time (five, ten and fifteen years) for the population of the region to reach the levels of consumption desired.

Undoubtedly the effort required is a big one. In order to attain the objective in question within a period of five years, expansion rates beyond the possibility of any system would be required, and even if this period were extended to ten

years, considerable strain would be put on the productive system<sup>32</sup>.

These growth requirements, which are far from encouraging any simplistic optimism, are associated with urgent needs in other fields of major importance to social welfare, such as health, education and other community services, which also call for huge resources if the situation

<sup>32</sup>On this point, see table 3 and in particular the growth rates of traditional industries in Brazil. Even bearing in mind that these also include goods consumed above all by high-income groups, at existing expansion rates it would take more than 15 years to reach the levels indicated.

**Table 10**  
**LATIN AMERICA:**  
**ANNUAL ACCUMULATIVE GROWTH RATES OF FOOD, CLOTHING AND FOOTWEAR**  
**PRODUCTION NECESSARY FOR THE REGION TO ACHIEVE WITHIN FIVE,**  
**TEN AND FIFTEEN YEARS A MINIMUM PER CAPITA CONSUMPTION OF**  
**SUCH ARTICLES EQUAL TO THE AVERAGE FOR**  
**ARGENTINA IN 1970**

	5 years	10 years	15 years
Food	16.7	9.6	7.3
Meat	19.8	11.0	8.2
Cereals	-0.4	1.2	1.8
Other	20.5	11.4	8.5
Wearing apparel	17.6	10.0	7.6
Clothing	18.0	10.2	7.7
Footwear	16.7	9.6	7.3

*Source:* CEPAL estimates on the basis of national surveys.

*N.B.:* These rates were calculated on the assumption of a 2.9 per cent annual increase in the population of Latin America.

of abject poverty is to be radically changed.

At the same time, to put things on a realistic plane, it should be realized that the average levels of consumption in Argentina are very high, both compared with those prevailing in the region and also compared with hypothetical subsistence consumption targets.

According to a recent study<sup>33</sup>, if these targets are to be achieved and abject poverty eliminated, the lowest

income of the poorest 50 per cent of the Latin American population should be at least 238 dollars (at 1970 prices) per capita per year: a sum which would enable this stratum of the population to satisfy their minimum needs of clothing and food. Around 1970, actual income was 73 dollars per year for the poorest 30 per cent of the population and 122 dollars for the poorest 50 per cent.

In view of the foregoing, table 10 was prepared, which shows the per capita income of the different strata in 1970, with projections for 1980, the target being to raise minimum per capita income to at least 238 dollars per year. In order to make the outlooks clearer, two hypotheses were made. The first assumes a modification of the 1970 distribution

<sup>33</sup>See "La alimentación en América Latina dentro del contexto económico regional y mundial", (preliminary version), a document prepared by the CEPAL/FAO Joint Agriculture Division for the thirteenth FAO Regional Conference for Latin America, August 1974.

structure, whereas the second assumes no change in the structure.

In the first case, in order to achieve the desired consumption with a rate of increase of average per capita income of 3 per cent per year — similar to the rate recorded in the 1960s — the income of the poorest 30 per cent of the region's

population would have to increase at a rate of 12.5 per cent per year, while for the poorest 50 per cent the rate of increase would have to be 6.9 per cent. For this to be possible, the relative shares of each stratum in total income would have to be changed<sup>34</sup>. As may be seen from section IV of table 11, this would involve

**Table 11**  
**LATIN AMERICA:**  
**PER CAPITA INCOME BY STRATA IN 1970 AND PROJECTIONS FOR 1980**  
**ON THE ASSUMPTION THAT MINIMUM PER CAPITA INCOME WILL REACH AT**  
**LEAST 238 DOLLARS PER YEAR, WHICH IS THE AVERAGE**  
**PER CAPITA SPENDING ON FOOD AND CLOTHING OF THE 30 PER CENT**  
**OF THE POPULATION WITH INCOMES HIGHER THAN THE MEAN**  
*(1960 dollars and annual growth rates)*

	<i>I</i> <i>Per capita income in 1970</i>	<i>II</i> <i>Hypothesis I</i> <i>3% annual increase in the average per capita income of the region</i>		<i>III</i> <i>Hypothesis II</i> <i>Retaining the 1970 distribution structure</i>		<i>IV</i> <i>Percentage share of each stratum in total income</i>	
		<i>Per capita income</i>	<i>Annual rate 1970-1980</i>	<i>Per capita income</i>	<i>Annual rate 1970-1980</i>	<i>Hypothesis I</i>	<i>Hypothesis II</i>
First 30%	73	238	12.5	238	12.5	12.0	8.3
First 50%	122	238	6.9	238	6.9	20.1	13.9
Next 20%	306	381	2.2	595	6.9	12.9	13.9
20% before the top							
10%	616	767	2.2	1 200	6.9	26.0	28.0
Top 10%	1 945	2 424	2.2	3 794	6.9	41.0	44.2
Top 5%	2 630	3 277	2.2	5 130	6.9	27.7	29.9
<i>Total</i>	<b>440</b>	<b>591</b>	<b>3.0</b>	<b>860</b>	<b>6.9</b>	<b>100.0</b>	<b>100.0</b>

Source: Column I: CEPAL estimates on the basis of national surveys.

only quite modest changes in the shares of the sectors situated in the upper half of the distribution pyramid, and these would moreover be compatible with absolute increases in their income bet-

<sup>34</sup>It should be borne in mind that such changes would not necessarily mean monetary transfers from one group to another. They could also be brought about through material transfers financed, of course, through fiscal and monetary channels.

ween 1970 and 1980. Thus, for example, although the share of the richest 10 per cent of the population would drop from a little more than 44 per cent to 41 per cent, their income would increase from 1,945 dollars in 1970 to 2,424 in 1980.

The situation is different if we assume that the 1970 distribution structure is to be maintained, as assumed in the second hypothesis. In this case, for the poorest 50 per cent to reach the minimum level established, per capita income would have to increase annually by almost 7 per cent — more than double the historical rate — which is of course beyond the realm of reasonable possibility.

In other words, if an objective more modest than that indicated in the previous exercise is fixed, the target aimed at

would not be excessively ambitious if in one way or another an appreciable but not radical transformation could be made in the distribution structure. Although this is not the place to develop this subject, it should be noted that the foregoing clearly shows that, as far as average per capita income is concerned, the elimination or substantial reduction of abject poverty is not a utopian ideal. And it is even less so if the problem is looked at from a realistic point of view, i.e., bearing in mind the degree of development of the production potential and the different possibilities of using and allocating such potential.

At all events, however, the problem cannot be solved without a considerable mobilization and reallocation of human and material resources.

## 6 Options

The above statement is confirmed to some extent by the exercises which have been carried out using a numerical model in a joint project undertaken by the Economic Development Division and the Economic Projections Centre of CEPAL.<sup>35</sup>

On the basis of the prevailing growth style, a fairly dynamic rate of expansion (7 per cent per year), and a background typical of an economy similar to that of

Brazil (and to some extent, therefore, of the region as a whole), an attempt has been made to show what would occur towards the end of the century as regards some basic features, among them employment and income distribution, which are closely interrelated.

As far as employment is concerned, the proportion of the labour force which is unemployed or employed in backward strata (the primitive stratum and the lower part of the intermediate stratum) would drop from 53 to about 45 per cent between 1970 and the end of the century, although its size in absolute terms would double. The composition of this group would undergo a marked change, becoming more urban than rural.

<sup>35</sup> See in particular CEPAL, *Un modelo para comparar estilos de desarrollo o políticas económicas optativas*, E/CN.12/907, 1971 and "Different development models or styles", Economic Bulletin for Latin America, Vol. XIX, Nos. 1 and 2, 1974, United Nations publication, Sales N°: E.75.II.G.2.

The consequent differences in productivity would become more pronounced, and by the end of the period productivity in agriculture and traditional services would only amount to a quarter of the national average and a much smaller fraction of the productivity of the modern stratum.

This concentration of technical progress (and its effect the absolute or substantial marginalization of a large sector of the system) is matched symmetrically as regards the distribution of its fruits.

As indicated in a study quoted earlier<sup>36</sup>, "the insight into the distribution of income which can be obtained from the model follows directly from the employment structure and its evolution... There is some improvement, but the basic imbalance remains. By the end of the century there has been some upward shift in the relative composition of the labour force: the low income group declines to less than half of the total, the middle group is marginally larger and the high income group is considerably larger, accounting for about one sixth of all income recipients".

Thus, the point raised previously crops up once again: namely that while the style admits of or involves a certain degree of "deconcentration" or "levelling up", it involves above all the absolute or considerable marginalization of an appreciable proportion of the "poorest half".

In order to define the foregoing aspects more clearly, a summary exercise was carried out which appears in table

12. Here, two hypotheses are put forward with respect to policies which might be proposed for reducing the degree of heterogeneity of production characteristic of the Latin American structure or, looked at from the opposite point of view, for promoting a definite movement towards the homogenization of that structure. For this purpose a long-term view is taken from 1970 to the year 2000.

The first hypothesis is the more radical. It involves the disappearance of the primitive or subsistence stratum and the reduction of the intermediate stratum. In this way, the share of the modern stratum in employment would increase from 15 to 70 per cent, while the proportion of the production of the product generated by this stratum would increase from 57 to almost 76 per cent. The economy in question would therefore show a very high level of homogeneity and modernization by about the year 2000. For this to be possible, the overall economy and the modern stratum would have to grow rapidly (at rates of 7 and 8 per cent, respectively) and the *average* productivity of the modern stratum would continue to be that of 1970, although the *average* productivity of the system as a whole would increase by 4.4 per cent per year.

Obviously, this picture is very different from the real possibilities. At the same time, it should be borne in mind that, even in this extreme or utopian version, it does not involve, as has sometimes been thought, any suggestion of a technological holdup or freeze, since the productivity of the economy as a whole increases, as we have seen, at the very high rate of 4.4 per cent. Moreover, as far as the modern stratum is concerned,

<sup>36</sup>"Different development models or styles", *op. cit.*, pages 45 and 46.

Table 12  
**LATIN AMERICA: PROJECTION OF  
 PRODUCTIVITY SECTORS TO THE YEAR 2000,  
 ON THE BASIS OF A TREND TOWARDS GREATER HOMOGENEITY  
 IN THE ECONOMY**

	<i>Percentage structure</i>				<i>Product per employed person (1960 dollars)</i>		<i>Annual average growth rates (1970-2000)</i>		
	<i>Employment</i>		<i>Product</i>		1970	2000	Employment	Product	Product worker
	1970	2000	1970	2000					
<i>Hypothesis A</i>									
Primitive sector	35	—	4.7	—	210	—	—	—	—
Intermediate sector	50	30	38.1	24.3	1 200	4 400	1.0	5.4	4.4
Modern sector	15	70	57.2	75.7	6 000	6 000	8.0	8.0	0.0
Whole economy	100	100	100.0	100.0	1 500	5 500	2.6	7.0	4.4
<i>Hypothesis B</i>									
Primitive sector	35	9	4.7	1.5	210	900	-2.0	3.0	5.0
Intermediate sector	50	37	38.1	24.4	1 200	3 900	1.5	5.5	4.0
Modern sector	15	54	57.2	74.1	6 000	7 700	7.0	8.0	1.0
Whole economy	100	100	100.0	100.0	1 500	5 500	2.6	7.0	4.4

*N.B.:* In hypothesis A the primitive sector is absorbed by the modern sector, whose labour force increases by 8% annually while its product per person employed remains unchanged.

the fact that its *average* productivity would be maintained does not exclude the possibility that within this unchanging global level there could be branches or enterprises which would increase their efficiency at much more rapid rates: even at rates more rapid than that of the growth of the overall economy.

The second hypothesis postulates more moderate changes. It assumes that in the year 2000 the subsistence stratum will still contain almost 5 per cent of the active population, but thanks to the decrease in its size, its per capita product

will have increased from some 200 to some 900 dollars per year. The intermediate stratum, for its part, would have a greater role to play in absorbing some of those displaced from the subsistence economy. Thus, as is evident, the modern stratum would become more important as a source of employment and would also have a greater possibility of increasing both its *average* productivity (1 per cent per year) and that of top priority branches or enterprises.

These exercises, it must be stressed, are neither prophecies nor programmes.

Between them and the concrete reality of the near and more distant future stand the actions of society (on both the domestic and external levels) and, from a more specific point of view, the

economic and social policies followed. In other words, they are and will be only as valid as the assumptions on which they are based, which are by definition changeable.

## 7

## Some vital questions

In any event — going back to the initial theme — this discussion leads us inevitably to the essential question of the possibility of introducing the changes which are considered to be desirable, necessary and historically viable in the light of material circumstances and within a given period of time. Put in other words, closer to those used in the discussions we all know so well: Is it a question of changing the *style* of development or must the *system* also be changed<sup>37</sup>.

It is clear that we cannot provide an answer to the question. Further, we do not believe that there can be any answer which is valid for all times and places and which does not specify the concrete terms in which it holds good. From this point of view it seems obvious that, while

certain changes in a prevailing style may imply or require radical changes in institutional and political parameters — i.e., in the system — there are others which fit within an existing framework, although they will always call for some review and adjustment of it. The historical experience to which we referred in the first section provides many different examples of this.

Furthermore, the same experience also shows us that replacing one system by another does not mean the disappearance of all the problems of the former style, although it can indeed bring new ones with it, to the distress of "utopian ideology". But this alone does not disprove the need for or advisability of such a change.

From a more specific point of view, and thinking of Latin America and its problems. I would make so bold as to argue, for example, that there are a number of countries which could eliminate or substantially mitigate abject poverty within a reasonable period of time, without a total transformation of the existing system being necessary, although it would of course have to undergo marked changes in its structure and operation.

The situation of other countries is different, but even in respect of these

<sup>37</sup> For a different approach, but one which is still relevant to these problems, see the author's study *Inflación: raíces estructurales*, and particularly the article "Heterogeneidad estructural y modelos de desarrollo reciente de la América Latina" (pp. 104 and following). Fondo de Cultura Económica, Mexico City, 1973. See also the study by A. Pinto and A. Di Filippo, "Nota sobre la estrategia de la distribución y la redistribución del ingreso en América Latina", in *Distribución del ingreso* by Alejandro Foxley (compiler), Fondo de Cultura Económica, Mexico City, first edition, 1974.

it should be borne in mind that in quite a few cases the problem is not just that of changing the system but also of dealing with aspects of major importance or complexity regarding such matters as resource endowment, economic size, native cultures which are difficult to

"modernize" or activate in the context of traditional structures, etc.

In the final analysis, only by trial and error will it be possible to find the answers to each situation and to each desired change in the existing style.