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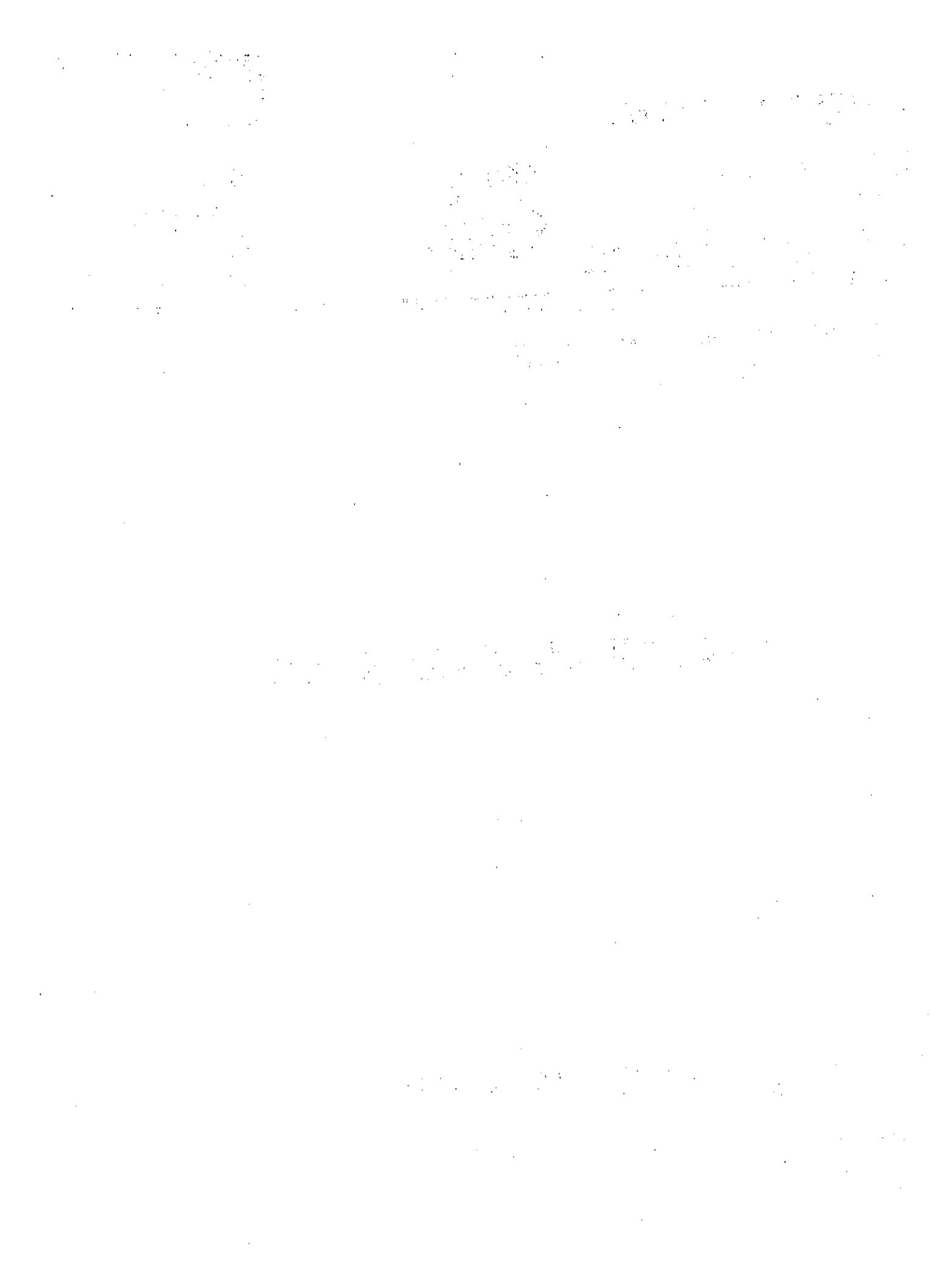
Economic Commission for Latin America



PROGRAMME OF ACTIVITIES OF CEPAL IN THE FIELD OF LONG-TERM  
ECONOMIC, DEMOGRAPHIC AND SOCIAL PROJECTIONS

Prepared for the Committee for Development Planning.

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## INTRODUCTION

1. The CEPAL secretariat has a wide-ranging programme of activities in the field of prospective studies.<sup>1/</sup> This programme covers a large number of projects involving conceptual and qualitative studies dealing with global and specific aspects of the economic and social development of the countries of the region and with international policy issues, as well as other studies in which the conclusions rely heavily on quantitative projections. The projects described in this report are those in which the use of models or the application of quantitative analysis are characteristic features of the research methodology used.

2. The group of projects involved in this research cover the following activities:

(a) Global analyses and projections or economic and social syntheses. These projects comprise the following:

1. Economic and social model.
2. Development styles model.
3. Macroeconomic and sectoral projections.

(b) Specific sectoral analyses. These projects are:

4. Agricultural projections, and
5. Industrial projections.

(c) External trade projections. This corresponds to project 6.

(d) Demographic projections and studies. These projects are:

7. Demographic projections, and
8. Quantitative research on the interrelation between demographic and socio-economic variables.

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<sup>1/</sup> Details of the secretariat's work may be seen from the Commission's programmes, which as regards pertinent studies on international policy, issues reference may be made, for example, to José Medina Echavarría, "Latin America in the possible scenarios of détente", CEPAL Review, Second Semester 1976, and the same author's essay, "Notes on the Future of the Western Democracies", CEPAL Review, Second Semester 1977.

(e) Basic studies and research on income distribution, extreme poverty and employment. This corresponds to project 9.

3. At the end of last decade, CEPAL began work on preparing a model on development styles (project No 2). This is a numerical experimentation model which includes economic, social and demographic aspects of the development process. It was applied experimentally to an economy with dynamic and structural features similar to those of Brazil, while a more specific application is being made in the study of Argentina.

These two pieces of experience, plus the greater quantity of information available, will be used in preparing a new model, which appears here as project No 1, the economic and social model. It will be applied to one or two Latin American countries during the next two years, and will replace the development styles model which will be suspended once the work on Argentina is completed.

4. Macroeconomic and sectoral projections are a continuing activity of CEPAL. To date, the only model available was relatively simple, with a high degree of aggregation, and it did not permit specifications by sectors of production. Project 3 basically involves the revision and amplification of the earlier model in order to permit the coherent preparation of sectoral projections with a classification of up to 10 branches of activity, as well as more detailed analysis of export and import flows.

5. Projects 4 and 5 on agricultural and industrial projections are designed with two basic objectives: to supply information for preparing the economic and social model, and to assist, through basic quantitative analysis, in the broader and more specific studies being carried out in these areas. Both projects have the collaboration of FAO and UNIDO.

6. Project 6 deals with projections of export and import flows for 10 SITC groups for the region as a whole and by countries. These projections are linked with the macroeconomic model (project 3), and include among their objectives that of situating the overall trade of the region in a world context and contributing quantitative data

/for discussing

for discussing solutions to the trade gap. A need is felt for basic prospective studies, particularly as regards external demand for Latin American exports. United Nations Headquarters and UNCTAD are to supply projections, based on different hypotheses, on the world economy and international trade, and these can be used to work with greater accuracy and consistency at the regional level.

7. The demographic projects involve the continuing work of CELADE (project 7) and a basic research programme on the study of the interrelations between demographic and socio-economic variables (project 8). The latter study has the further aim of examining the possibility of and necessary conditions for promoting some degree of endogenization of population variables, with a view to securing a better knowledge of the subject and assisting the preparation of the economic and social model.

8. Project 9 deals with studies on income distribution and poverty, which are being carried out with co-operation from the World Bank, and basic research on employment, with the collaboration of PREALC. The latter study is connected with the analysis of employment and economic growth, demand for employment and productivity by economic sectors, and occupational structure according to level of training.

This research will give rise to technical knowledge and data for examining the functional relationships required for the preparation of the sub-models on employment and income distribution envisaged in the economic and social model.

Project 1

ECONOMIC AND SOCIAL MODEL 1/

1. Field: Analysis and appraisal of scenarios for the future economic and social development of the Latin American countries, considering main aspects relating to projections of population growth, economic growth, changes in the production structure, employment, income distribution and personal consumption, external trade and the balance of payments.
2. Organization in charge: CEPAL.
3. Nature of study: Conceptual analysis based on a projection model.
4. Time horizon of projections: Next decade, with extension of basic aspects to the year 2000.
5. Geographical scope: Selected Latin American countries.
6. Objectives and other related aspects: This project has two basic aims: (a) to appraise the economic and social prospects of Latin American development, on the hypothesis that present trends will continue, and (b) to examine strategies and policies - at the national, domestic, regional and international levels - which imply changes of great significance in present patterns, with a view to achieving specific economic and social development targets and structures. Two classes of scenarios for future Latin American development must therefore be defined: one projecting the dynamic trends of the prevailing style, and another - scenario of change - incorporating specific targets related to the social aims of development and the structuring of a new international economic order.

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1/ A more detailed explanation of this research project may be found in the report presented by the CEPAL secretariat to the CDP Working Group on Long-term Projections, which met in October 1977.

Document E/CEPAL/1027 (mimeographed version) of March 1977, presented at the seventeenth session of CEPAL, summarizes the main issues of the evolution of Latin American development and some aspects of long-term economic projections. It includes the first conceptual outline version of this research project.



The analyses of the first scenario resulting from the model will serve to show what evolution there is likely to be in employment, income distribution and consumption, and situations of extreme poverty, and how far such problems would be aggravated by the continuation of present structural trends. This quantitative analysis will also be made on the basis of a hypothesis of greater economic growth than that historically recorded. The analyses resulting from the scenarios of change will make it possible to examine the nature of the structural changes and of the strategies and policies which must be implemented in order to achieve the above-mentioned social objectives. In brief, the main elements of the analysis deal with: (a) targets and objectives of social and human development; (b) economic growth and changes in the structure of production; (c) proposals, targets and objectives in connexion with the new international economic order; (d) economic co-operation and regional integration; (e) co-operation with other developing areas.

7. Methodology used: Essentially, the economic and social model will integrate with due consistency the different analysis and projection models used in the specific secretariat research projects on which this programme of activities reports. This method of work will make it possible to carry out the research in a more flexible manner and to amplify and extend the analysis in specific areas as the proposed studies require or as the available data allows. The global model will thus be made up of various blocks which may be regarded as sub-models of the analytical scheme as a whole.
- These sub-models are: (a) macroeconomic and sectoral; (b) specific sectoral sub-models, like those for the industrial and agricultural sectors; (c) population sub-model; (d) employment; (e) income distribution; (f) government accounts; (g) external trade and balance of payments; (h) intra-regional external trade. For some of these areas, especially as regards population, employment, income distribution and production technology projections, it will be necessary to carry out a series of basic research projects in order to obtain the data and the technical knowledge required for designing each of the blocks and the global model.
- This economic and social model will replace the development styles model (described below as project No 2) on which the CEPAL secretariat has been working since 1969. The development styles model has had two applications: the first - an experimental one - prepared projections for an economy whose dynamic and structural

features were similar to those of Brazil, while the second referred more specifically to the economic and social development of Argentina. These two experiments have provided valuable theoretical and practical lessons which are being used in the preparation of the new models.

8. Size of staff involved in study: 2 persons full time.
9. Stage of execution: At present, some basic research work is being done on income distribution and employment, and methodological aspects are being discussed.
10. Length of study: 2 years for one or two countries, depending on the availability of finance.
11. (Expected) Starting date of project: 1978.
12. Expected date of completion: Beginning of 1980.
13. Difficulties in implementation: Lack of finance for going ahead with the basic work.

Project 2

DEVELOPMENT STYLES MODEL

1. **Field:** Examination of different economic and social development scenarios.  
Their Appraisal and implications with regard to production, investment, employment, income distribution, education, external trade, balance of payments and external financing.
2. **Organization in charge:** CEPAL.
3. **Nature of study:** Conceptual analysis based on a quantitative model.
4. **Time horizon of projections:** Long-term (10, 20 and 30 years).
5. **Geographical scope:** Latin American countries. The model is being used at present only in the study on Argentina.
6. **Objectives and other related aspects:** The development scenarios are defined according to the rate of growth and the structure of final demand (personal consumption, educational targets, government services and exports). Three major socio-economic sectors are distinguished: rural, middle-income urban and high-income urban. The model is used to examine: (a) production requirements for four economic sectors, educational services and other government services; (b) imports; (c) sectoral investment; (d) demand for employment by three occupational categories; (e) income distribution in the three major socio-economic groups referred to above; (f) education (two levels); (g) balance of payments and need for external resources. Two types of production technology are considered: high and low. These have been defined approximately according to the average size of the enterprises and the relations between capital and employment with respect to output. Overall comparisons are made between educational targets and the educational requirements stemming from the demand for labour. The model examines specific aspects of capital ownership in relation to private, State and foreign enterprises in the country.
7. **Methodology used:** This is a numerical experimentation model. It has been applied experimentally to an economy whose level and structure are similar to those of Brazil. Simple

ratios or functions have been used, such as input-output coefficients, capital-output ratios and productivity functions, and occupational coefficients according to level of training and structure of income distribution. In many cases these are based on tentative solutions, in view of the scanty statistical data available for the period when the studies were made.

Economic and technological ratios derived from the experiences of other economies which it was considered reasonable to extrapolate have also been included. In the study on Argentina, it was possible to calculate the functions and technical ratios on the basis of more plentiful data provided by that country.

8. Size of staff involved in study: 2.
9. Stage of execution: Underway.
10. Length of study: The work was begun at the end of 1969, and applied experimentally to an economy with characteristics similar to those of Brazil;<sup>1/</sup> at present it is being used in a study on Argentina.
11. (Expected) Starting date of project: -
12. Expected date of completion: End of 1978 for Argentina.
13. Difficulties in implementation: The project has to be discontinued for lack of funds, and will be replaced in future by the project on the economic and social model.

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<sup>1/</sup> See for example, "Different development models or styles", Economic Bulletin for Latin America, Vol. XIX, 1974. "Un modelo para comparar estilos de desarrollo o políticas económicas optativas", E/CN.12/907, Information document presented at the fourteenth session of CEPAL, 1971.

### Project 3

#### MACROECONOMIC AND SECTORAL PROJECTIONS

1. Field: Macroeconomic projections on the product, investment, external and internal financing, sectoral output, external trade and the balance of payments.
2. Organization in charge: CEPAL.
3. Nature of study: Quantitative study.
4. Time horizon of projections: Next decade, extended to 2000 for some basic aspects.
5. Geographical scope: Projections by countries and for the region as a whole (by aggregation).
6. Objectives and other related aspects: A review is made of the long-term economic growth prospects and the requirements and implications of accelerated growth and productive economic change in conjunction with reasonable levels of external indebtedness and increased domestic investment resources.
7. Methodology used: Econometric country models.  
Different economic growth hypotheses are reviewed in relation to historical trends and accelerated development targets.  
The targets and objectives of national development plans are taken into account and frequent use is made of technical data taken from these plans.  
Economic activities and flows of imports and exports are classified on the basis of a group of up to 10 sectors, including government services.
8. Size of staff involved in study: 5.
9. Stage of execution: Underway.
10. Length of study: A continuing activity of CEPAL.

11. (Expected) Starting date of project: A review and amplification of the macroeconomic model was begun at the end of 1977 with the basic aim of including the sectoral projections and a simplified account for government, and analysing the flows of imports and exports in more detail.
  
12. Expected date of completion: Macroeconomic projections without sectoral specifications are available for 19 Latin American countries, covering the gross domestic product, consumption, investment, external trade and balance of payments.<sup>1/</sup>  
The new projections being made - under the terms of this project which extends the analysis to the sectoral area - should be reaching completion for a substantial group of countries around the end of 1978.
  
13. Difficulties in implementation: The work is being held up for lack of enough personnel to carry out the basic research on the preparation of statistics and the determination and analysis of the functions.

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<sup>1/</sup> See for example: "Proyecciones Macroeconómicas para América Latina en el decenio 1970", Latin American Economic Projections Centre, CEPAL, United Nations, New York, 1972, and mimeographed version of the document, "Long-term trends and projections of Latin American Economic Development" (E/CEPAL/1027), submitted to the seventeenth session of the Commission in Guatemala.

Project 4

AGRICULTURAL PROJECTIONS

1. **Field:** Projections of agricultural output and production potential, domestic demand, nutritional targets and external trade.
2. **Organization in charge:** CEPAL-FAO. This study will be carried out in close co-operation with FAO, and large amounts of data from FAO research, especially from the study, "Agriculture: towards 2000", are expected to be available.
3. **Nature of study:** Quantitative estimates and projections, proposals of hypotheses and qualitative appraisals.
4. **Time horizon of projections:** Next decade, with extension of basic aspects to the year 2000.
5. **Geographical scope:** Selected Latin American countries and the region as a whole.
6. **Objectives and other related aspects:** Appraisal of prospects for the evolution of the agricultural sector: production, its composition and structure, final domestic demand and exports.  
Review of the sector's production and investment needs in the light of specific demand and nutrition hypotheses.  
Conceptual and quantitative analysis of agricultural import and export flows.  
Evaluation of production potential, especially in the light of land availability.
7. **Methodology used:** These projections will be made in co-ordination with the macroeconomic sectoral projections.  
The work will be based on different hypotheses of final demand, consumption, nutrition and exports in accordance with:
  - (a) prevailing trends;
  - (b) hypotheses for economic growth, income distribution, elimination of extreme poverty, and nutritional targets.
8. **Size of staff involved in study:** 2.

9. **Stage of execution:** Underway.
10. **Length of study:** The project will be carried out in successive stages.
11. **(Expected) Starting date of project:** 1977.
12. **Expected date of completion:** Towards the end of 1978 projections of production, internal and external demand according to different trend and growth hypotheses, and overall estimates of agricultural production potential will be available for some countries.  
In a second stage, towards the end of 1979, an endeavour will be made to complete the projections on the basis of different hypotheses of income distribution, elimination of extreme poverty and nutritional objectives.
13. **Difficulties in implementation:** Among the main difficulties, reference may be made to the lack of funds for recruiting the necessary staff and the fact that information is not always available from the different countries in a uniform manner and coverage.



Project 5

INDUSTRIAL PROJECTIONS

1. **Field:** Projections of industrial output and structure, internal demand and external trade.
2. **Organization in charge:** CEPAL-UNIDO.
3. **Nature of study:** Conceptual and quantitative analysis. The aim of this project is to contribute through basic quantitative analysis, to the prospective studies on industrial development in the Latin American countries. These studies examine regional possibilities and the objectives and targets which could be set for industrial development in the context of a new international economic order. They cover all industrial activity and particularly the capital goods industry.
4. **Time horizon of projections:** Next decade, with extension to 2000 in some basic aspects.
5. **Geographical scope:** A group of Latin American countries and the region as a whole.
6. **Objectives and other related aspects:** Appraisal of the industrial development prospects of the Latin American countries. The projections are based on different hypotheses in accordance with trends and assuming targets for speeding-up industrial development, taking into consideration the strategies and policies reflected in the national plans. Various regional industrial growth alternatives are examined in relation to the Lima targets.
7. **Methodology used:** These projections will be made in co-ordination with the macroeconomic sectoral model. Technical functions and ratios of the structure of industrial development will be defined on the basis of historical series and cross-analyses of Latin American countries, and the research work will be complemented by data from other countries with higher income levels which it is considered reasonable to include. It is planned to work in more detail on some branches of the basic products and capital goods industries.

8. Size of staff involved in study: No staff have yet been assigned to this projections study.
9. Stage of execution: In course of planning.
10. Length of study: 2 years.
11. (Expected) Starting date of project: 1978.
12. Expected date of completion: First stage: Some projections for the main aggregate variables could be ready by the end of 1978.
13. Difficulties in implementation: Lack of financing.

Project 6

EXTERNAL TRADE PROJECTIONS

1. Field: Analysis and projections of exports and imports classified in 10 groups (SITC).
2. Organization in charge: CEPAL.
3. Nature of study: Quantitative analysis.
4. Time horizon of projections: Next decade with extension of basic aspects to the year 2000.
5. Geographical scope: Projections for the region as a whole and by countries.
6. Objectives and other related aspects: The model has multiple aims: (a) to review the growth prospects of export and import flows; (b) to determine import needs in the light of different hypotheses on trends in economic growth and its acceleration; (c) to provide quantitative information for discussing alternative solutions to trade gaps, and (d) to study the prospects and the role of increased trade within Latin America and with other non-traditional areas in the light of such gaps.
7. Methodology used: These projections are linked with the hypotheses used in the macroeconomic and sectoral model. The studies for the region as a whole are based on international trade matrices which divided Latin America and the rest of the world into nine areas. The trade flows are classified under 10 SITC headings. The projections are fundamentally based on historical functions linking imports with the domestic product of each area, while regional exports are projected as a function of the domestic product of the other areas. The projections of the trade flows at the country level are adapted and complemented within the context of this model in order to make the relevant cross-checks and comparisons. The projections on country exports are based on different hypotheses regarding trends and share of world commodity trade, on other information supplied by national development plans, and on consideration of the objectives pursued as regards the diversification and expansion of exports as a result of the growth and

transformation of production and the need to reduce the trade gap. Particular consideration is given to the role played here by intra-Latin American trade.

The projections of imports are based on the historical functions of the Latin American countries, with such adjustments as are required in order to include the targets and objectives proposed by national strategies and policies in connexion with external supply, industrialization and import substitution.

Projections on the world economy and trade, according to different hypotheses or scenarios, are essential in order to supply the external variables for the regional models.

Headquarters and UNCTAD should supply these studies in order to facilitate the execution of the work on a more accurate and co-ordinated basis.

8. Size of staff involved in study: 1.
9. Stage of execution: Underway.
10. Length of study: A continuing activity of CEPAL.
11. (Expected) Starting date of project: -
12. Expected date of completion: Projections for the region as a whole and for the main groups of countries are expected to be available towards the beginning of 1979.
13. Difficulties in implementation: Lack of sufficient staff to make progress with the studies.  
Technical difficulties due to lack of information and basic studies, particularly with regard to determining external demand for Latin American exports.

Project 7

DEMOGRAPHIC PROJECTIONS

1. Field: Projections of the total population, by sex and age groups, and projections of the economically active population by sex and age groups.
2. Organization in charge: Latin American Demographic Centre (CELADE).
3. Nature of study: Analytical and quantitative.
4. Time horizon of projections: Up to the year 2000, with possible extension to 2025.
5. Geographical scope: National and regional (urban and rural).  
20 Latin American countries.
6. Objectives and other related aspects: To prepare population projections with the aim of appraising the population growth prospects of the countries of the region.
7. Methodology used: "Component method" of determining population growth: mortality, fertility and migration projections based on trends, the historical experience of other countries and probable prospects of change.<sup>1/</sup> The projections are usually prepared according to three hypotheses: high, intermediate and low.

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<sup>1/</sup> The following bibliography on conventional methods of preparing population projections may be cited by way of example: United Nations, "Manuals on methods of estimating population", Manual III. "Methods for Population Projections by Sex and Age", ST/SOA/Series A, Population Studies, No 25. "Manuals on methods of estimating population", Manual V. "Methods of projecting the economically active population", ST/SOA/Series A, Population Studies, No 46. United Nations, "Methods for projections of urban and rural population", Manual VIII, New York, 1974. United Nations, "General principles for national programmes of population projections as aids to development planning", ST/SOA/Series A, No 38, New York, 1966. Brass, William, "Métodos para estimar la fecundidad y la mortalidad en poblaciones con datos limitados", CELADE, Serie E. CELADE, Boletín Demográfico, published twice yearly, Nos 1 to 21.

8. Size of staff involved in study: 1-5.
9. Stage of execution: Underway.
10. Length of study: A continuing activity of CELADE.
11. (Expected) Starting date of project: -
12. Expected date of completion: Population projections exist for 20 Latin American countries up to the year 2000; they are continually being revised as new data and/or more accurate estimates become available.
13. Difficulties in implementation: Lack of finance. Inadequate data in many countries of the region.

Project 8

QUANTITATIVE INVESTIGATION OF THE INTERRELATIONS BETWEEN  
DEMOGRAPHIC AND SOCIO-ECONOMIC VARIABLES

1. Field: Interrelations between population dynamics and the economic and social development process.
2. Organization in charge: Latin American Demographic Centres (CELADE).
3. Nature of study: Analytical and quantitative.
4. Time horizon of projections (coverage): Retrospective investigation: 1950-1975.
5. Geographical scope: National and regional. Selected representative countries of Latin America.
6. Objectives and other related aspects: Basic investigation of the interrelations between population variables and the most important indicators of economic development and social change, in the particular context of the countries of the region, with a view to:
  - (1) In a first stage, increasing our knowledge on the nature of the key interrelations and proceeding further with their quantifications; and
  - (2) In a second stage, using the results of the investigations to prepare a demographic, social and economic model involving a high degree of endogenization of population variables.
7. Methodology used: Statistical analysis (historical and cross) at the macro level, using data from population censuses, national accounts and relevant economic and social statistics. Micro-level analysis of the demographic behaviour of individuals and/or families, using data from household surveys, population censuses and other data.
8. Size of staff involved in study: 3.
9. Stage of execution: Project outline.

10. Length of study: 36 months.
11. (Expected) Starting date of project: April 1978.
12. Expected date of completion: First stage (see point 6), October 1979, Second stage, October 1980.
13. Difficulties in implementation: Lack of adequate financing.



Project 9

RESEARCH ON INCOME DISTRIBUTION, EXTREME POVERTY  
AND EMPLOYMENT

1. **Field:** Relationship between generation of the product and distribution of income and consumption.  
Rural, urban and national inequality. Characteristics of the household (size, occupational category and branch of activity of the working members of the family) and of the persons in it (education, sex, age) which influence income distribution. Thresholds of extreme poverty. Social groups in this situation. Employment and economic growth. Occupational distribution, evolution of productivity and occupational structure according to skill level.
2. **Organization in charge:** CEPAL.<sup>1/</sup>
3. **Nature of study:** Descriptive analysis aimed at supplying basic information for the work of interpretation and projections.
4. **Time horizon of projections:** Long-term retrospective analysis with special emphasis on the 1970s.
5. **Geographical scope:** Country studies.
6. **Objectives and other related aspects:** To evaluate the consistency of the data on income distribution contained in national accounts, censuses and household surveys.  
To deduce the structure and distribution of income by countries, rural and urban sectors and socio-economic groups.  
To analyse the possible causes of inequality by examining the influence of characteristics of the household and the persons in it (occupational category, branch of activity, education, etc.) and to deduce the functional relations between these variables for some countries.  
To determine the limits defining situations of extreme poverty and to estimate the number of families suffering from this condition.  
To examine the evolution and structure of employment, economic growth and changes in the production structure.

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<sup>1/</sup> The compilation and analysis of basic data on income distribution and thresholds of extreme poverty were carried out in collaboration with the World Bank (Project on the measurement and analysis of income distribution in Latin American countries).

To analyse occupational demand by economic sectors and the evolution of productivity.

To study the occupational structure according to skill levels.

7. Methodology used: Utilization of statistical methods to evaluate the validity of the data contained in household surveys. Application of statistical and econometric methods in order to deduce the relations between distribution profiles and economic and social characteristics. Normative estimation, based on the concept of a balanced diet, of thresholds of extreme poverty. Analysis, by econometric methods, of historical series and cross-sections in order to identify the relations between employment, economic growth and productivity in the case of Latin American countries and any other countries it is considered reasonable to include. Comparative study of occupational structures according to skill levels in Latin American and more developed countries, with some degree of specification according to size and capital value of the establishments.
8. Size of staff involved in study: At present 3 persons.
9. Stage of execution: Underway.
10. Length of study: A continuing activity.
11. (Expected) Starting date of project: -
12. Expected date of completion: It is hoped to complete by the end of 1978 the analysis of a group of household samples taken at the end of the 1960s and the beginning of the 1970s for a group of Latin American countries covering around 90 per cent of the region's population. It is also expected to have available functions which will permit the projection of the evolution of productivity and employment on the basis of different hypotheses for the growth rate and changes in the structure of production. For some countries, first estimates of the poverty gap will also be available.

13. Difficulties in implementation: Lack of funds for speeding up the progress of the basic research. Difficulties in obtaining statistical data for some countries.