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Population and development planning:

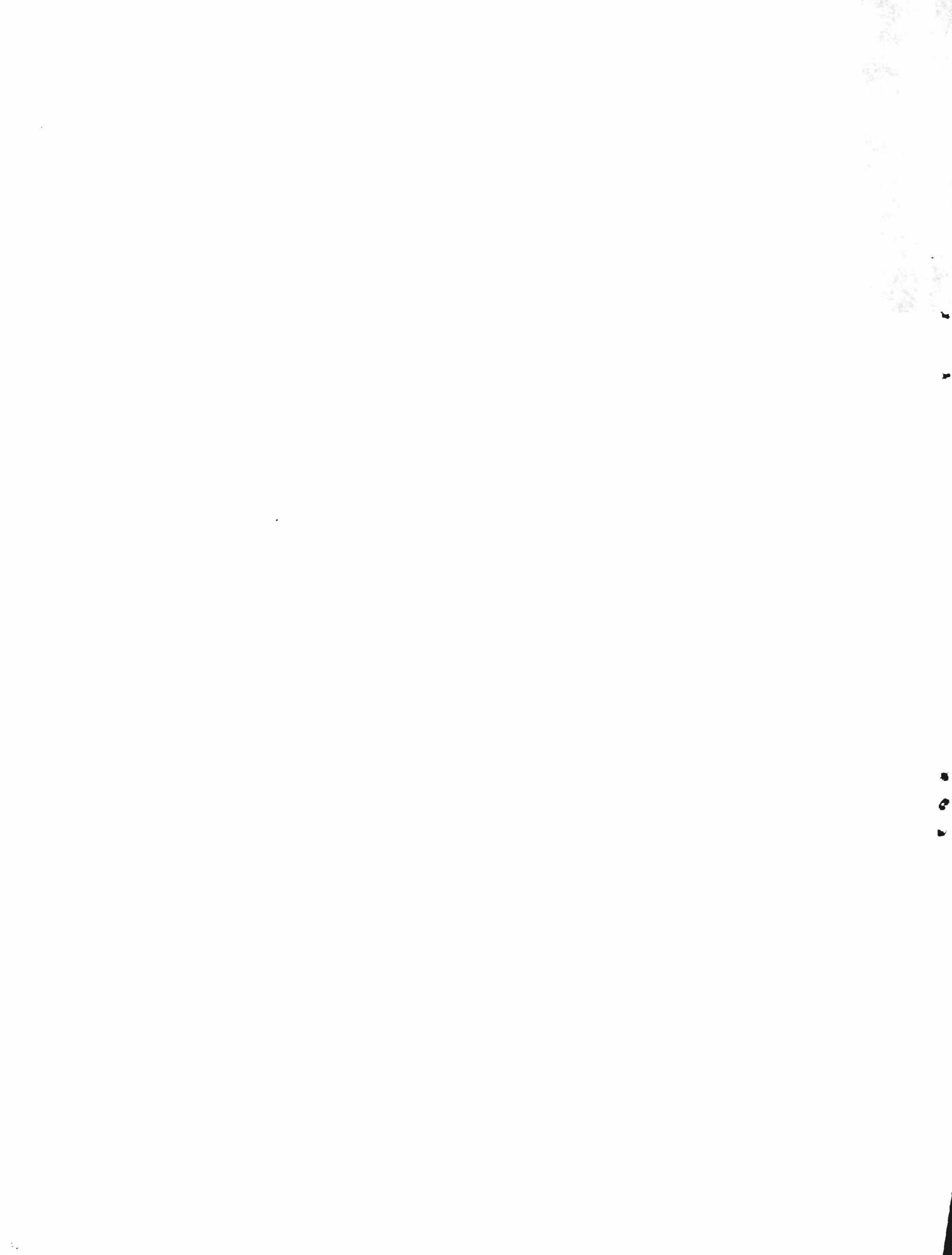
**Some notes on the policy-making capacities
of the State in Latin America (2)**

(preliminary draft)

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(2) Paper prepared for the IRG?



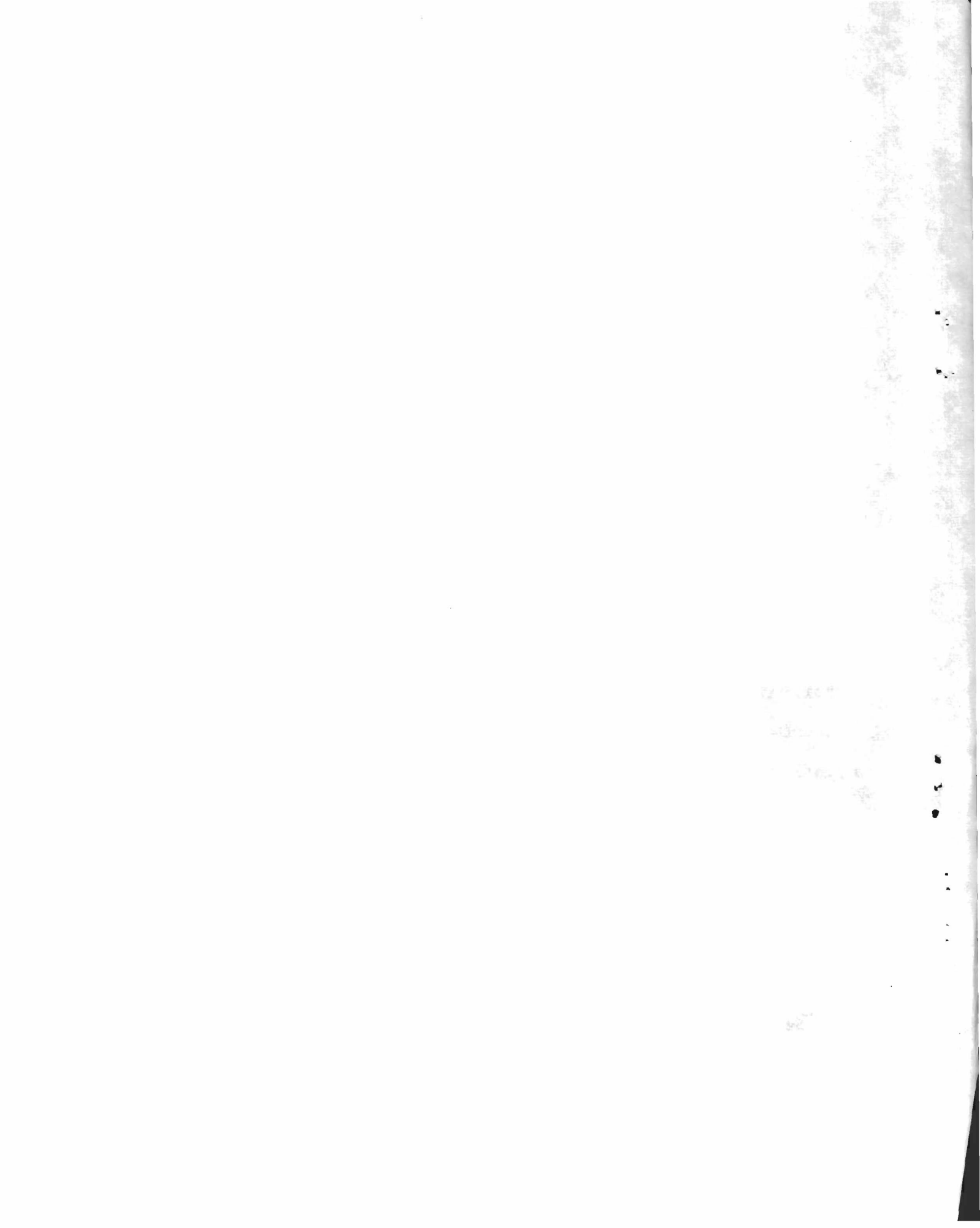
I - Introduction: approaching the subject.

This paper is an attempt to examine some of the major features of the policy-making capacities of the State in Latin America, from the perspective of population and its inclusion in socio-economic development planning. Given the breadth of the subject and, above all, the difficulties inherent to the analysis of the processes determining the role of the State and the scope and aims of its actions in Latin American Societies, this essay can only be taken as a first approximation to the problem stated above.

A recent review of current literature concerning the definition of population policy shows some significant conceptual trends which seem to reinforce the need for a State-centered analysis of policy-making capacities in relation to demographic phenomena [✓] 1/. These trends can be summarized as follows:

a) a growing recognition of the importance of "non-demographic" processes and actions which, nonetheless, do affect indirectly the movement of demographic variables; b) a certain loss of "technocratic" emphasis in the policy notion which would be adequate

^{1/} See Atria, R. and González, J.C., "La noción de política de población: una revisión de la literatura reciente", PISPAL Central Unit. Working papers Series NO 13, Santiago, November 1975.



for realistic population policies, somehow moving away from the purely technical rationality of planning towards the political rationality of development strategies; c) an attempt to expand the policy notion so as to include in the conceptual framework of population policies the actual behaviour and procedures of public agencies which, in practice, define policies no matter how implicit (unstated or unformalized) these may be; and finally, d) a growing insistence on the need to refer population policies to the development context, this being understood, from a policy standpoint in terms of modalities and strategies of development which will condition the concrete and specific form assumed by population "problems".

In the Latin American context, these conceptual trends have broadened the terms of the population policy debate. The accent seems to be now on new questions and searches rather than clear-cut polemic issues (such as the one represented by that narrow concept of population policy which equates "the population problem" with Population growth). Some of these questions point towards what was called above the need for a State-centered analysis, as a necessary input for that complex and always troublesome matrix of science and action which, hopefully, will lead to socially rational policies.

In the limited and modest scope of this paper, policy will be understood, following Williams' definition, as "an instrumental decision or measure taken by a government or related institution,

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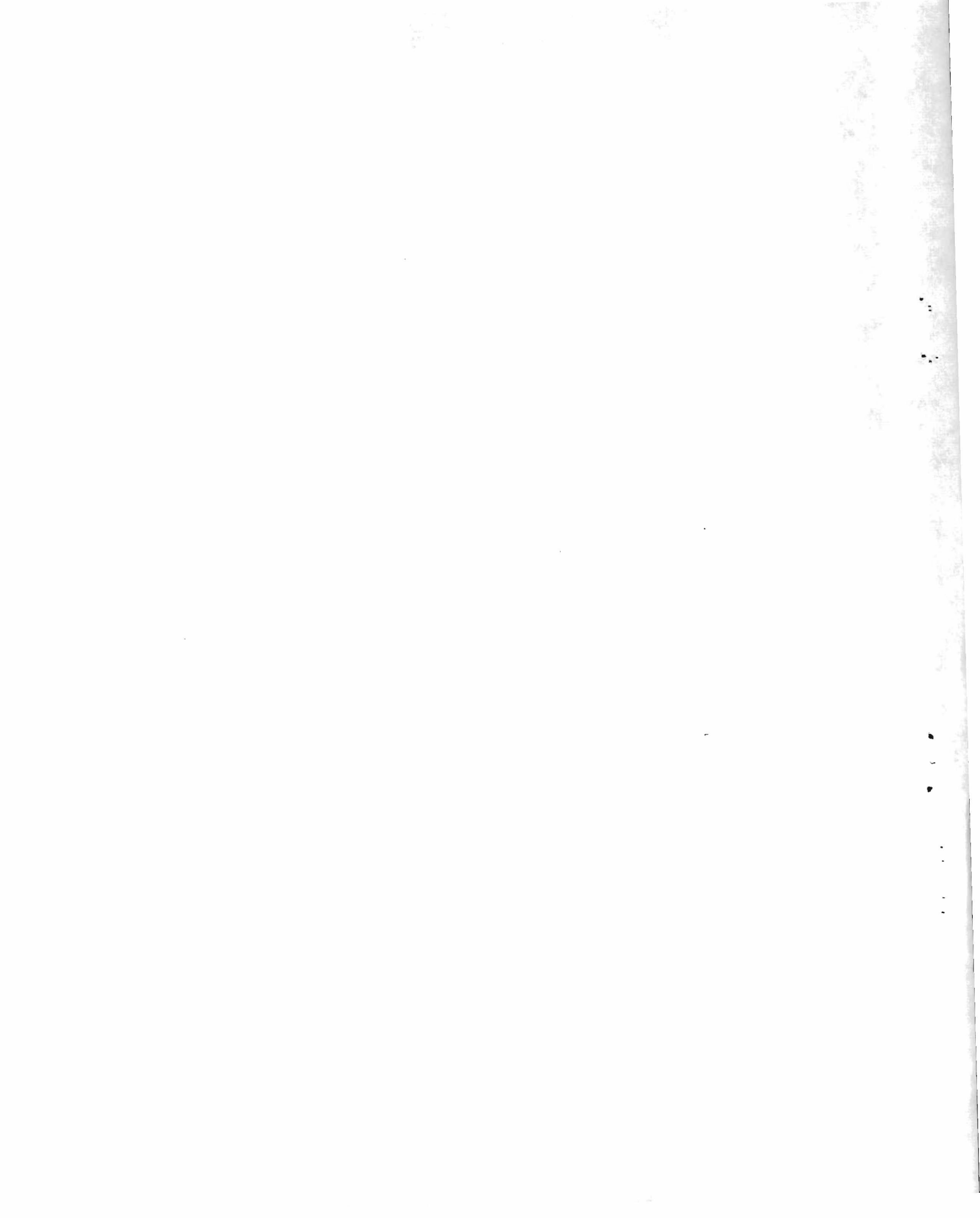
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or an indication of intention to take such decision, concerning the ends of the polity. It is usually a product of the political system and is processed through the government, its organs or some other related institution. Predicated on a choice amongst available options, it is an instrument to a social end and it is not neutral in its effects on the welfare of the polity or any of its constituent elements" 2/.

The above definition stresses at least two aspects which are highly relevant for our analysis. In the first place it takes into account the interrelation of policies (decisions which are instrumental to a social end) with the broader context of the political system and the polity at large. As we understand it, this "broader context" is, in short, that structure referred to the political organization of social power which is called the State. Secondly, the definition that has been quoted above, allows for some necessary qualifications for the analysis of that crucial relation between government and policies. One of the typical problems and difficulties of policy analyses is, precisely, the way in which this highly complex political relation is dealt with 3/.

2/ Williams, Babatunde A., "Alternatives in development: political science and policy analysis" Vienna Institute for Development, Occasional Paper 73/2, 1973, p.7.

3/ For a general illustration of some of these typical problems see Atria, R., "Anotaciones para el análisis político de las políticas de Población: la relación entre estructura de poder y la acción pública", PISPAL, Central Unit, Working papers Series Nº 9, Santiago, November 1975, (particularly pages 13-22).



Williams' statement is a good reminder that there is no room at all for easy simplifications to handle the roles played by the government, its organs or some other related institution", in policy processes.

These two aspects underly the approach on which this paper heavily rests. As we said before our aim is to endeavour a State-centered analysis of policy-making capacities. This deliberate choice of the term "State", which lends itself to abstract generalizations, should not be misunderstood. The State can be treated as an abstraction, but it also can and should be considered as a real political entity. As Miliband says, "what the State stands for is a number of particular institutions which, together, constitute its reality, and which interact as parts of what may be called the State System 4/.

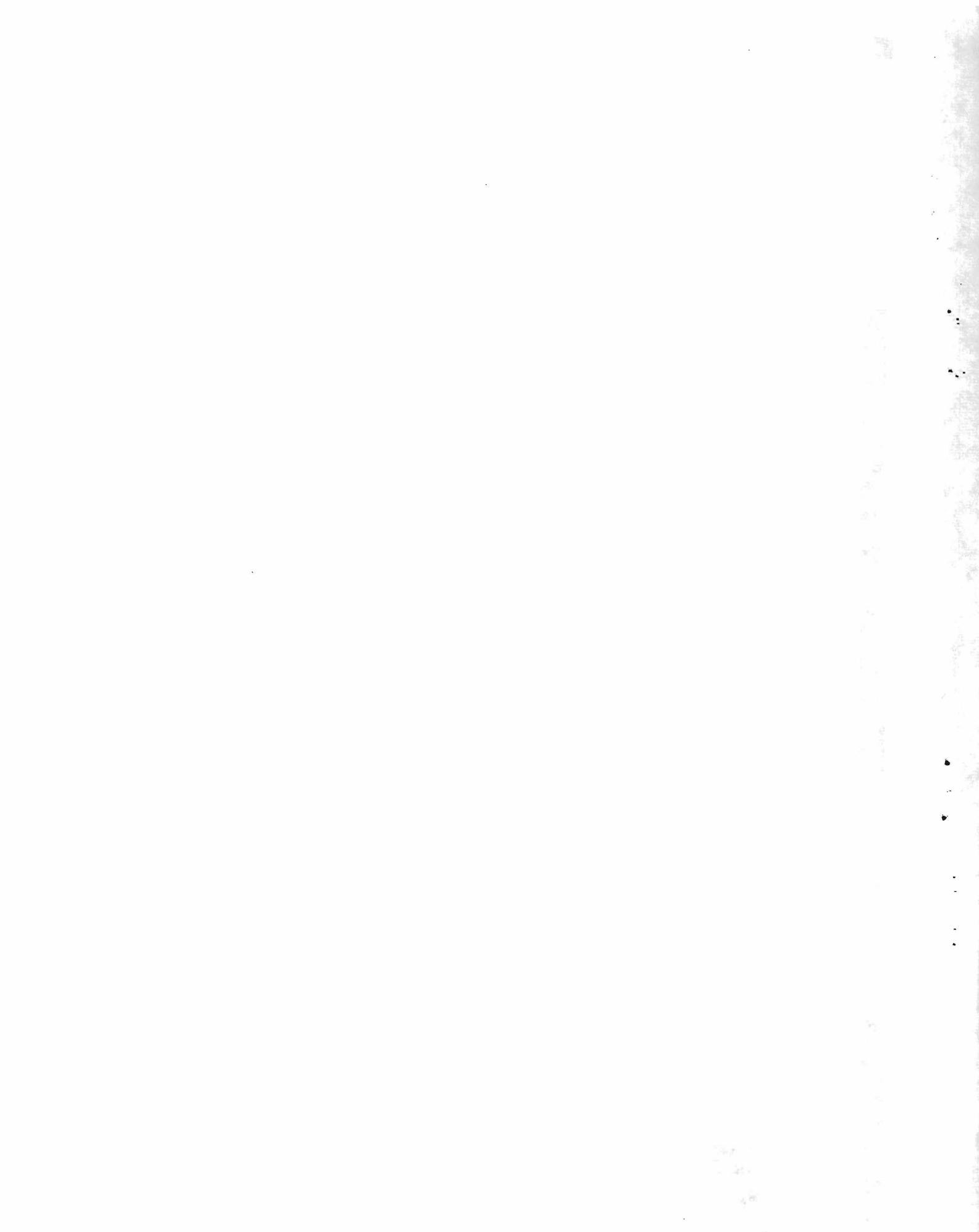
Components of the State System are: the Government, the bureaucracy, the parliamentary assemblies, the local governments, the State enterprises, the military and police forces, and the judiciary 5/.

"This State System should be distinguished from the 'political system' which includes pressure groups, social classes, social movements, political parties interacting both among them and with the State System" 6/.

4/ Miliband, Ralph, The State in Capitalist Society, Basic Book Inc, New York, 1969, p.49.

5/ See ILPES (Latin American Institute for Economic and Social Planning), Problemas del desarrollo social de América Latina, Cuadernos del ILPES, Serie II, Nº 19, Santiago, 1974. Also Miliband, op.cit., pp. 49-55.

6/ ILPES, op.cit., page 97.

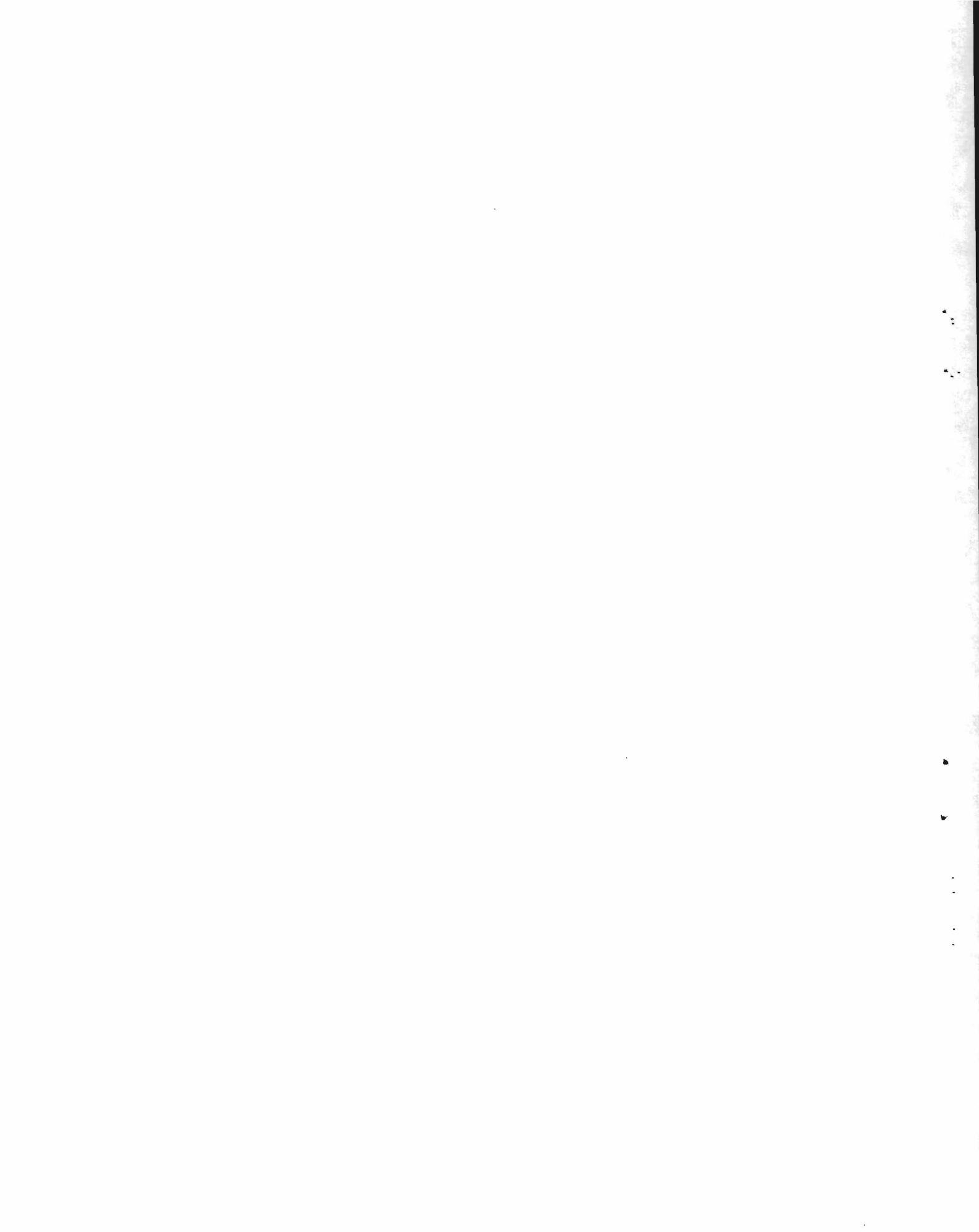


For a State-centered policy analysis, the government appears, therefore, as a part of the State System, not to be confused with the State. A critical part though, for it is always probable that being the government in the most visible and exposable position of political command over the State System, it is upon the government where most of the tensions, demands and conflicts in the "political system" will tend to converge 1/. Characteristically, governments are affected by a combination of strength and weakness which becomes a key factor for a policy analysis.

How do we come about a State-centered policy analysis in Latin America? I am afraid we do not have a straightforward answer to this question. If we had it I will surely say that this paper, or at least a considerable part of it, would be worthless. In fact most of the work done in the preparation of this document is merely an approximation to the subject, stimulated by the concerns of the IRG. In that light, however, there are a few considerations worth mentioning in relation to our knowledge about the State in the region.

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1/ On this point Miliband, again, has some very insightful comments which deserve consideration here. "It is not very surprising that government and state should often appear as synonymous. For it is the government which speaks on the state's behalf...". "This, however, does not mean that the government is necessarily strong, either in relation to other elements of the State System or to forces outside it..." "The fact that the government does speak in the name of the state and is formally invested with state power, does not mean that it effectively controls that power". (authors italics), (pp. 49-50).



In the first place, it should be stressed that the State, as a field of study, has only recently become a major subject of research by social scientists in the region 8/. At the best, then, we are dealing with an entity which has not been yet thoroughly examined at the concrete level of national societies. This is still something that has to be done comparatively, in such a way that the different paths and processes of State formation associated with the recognizedly heterogenous political realities in the region could be taken into account.

Secondly, our general knowledge about the State in Latin America is somewhat spotty at the empirical level. Notwithstanding we do find, however, some important efforts at the theoretical level, that is in relation to major interpretative theses about the historical and social determinants of the State and its supportive power structures 9/. Many of these, nevertheless, are general interpretations mostly based upon extrapolations of theories and models which are suited for other social and geographical contexts, or make use of rigidly structural assumptions about the development of the State. In any case, this theoretical knowledge

8/ This is not to say that the State had been neglected as a subject of research by Social Scientist in the region; what we are saying is that probably due to the emergence of new political styles and regimes in the last two decades, there has been an increasing interest to probe more deeply in the processes of State formation.

9/ In this light see, for instance, the interesting compilation prepared by Cardoso, Fernando Henrique and Weyfort, Francisco, America Latina: ensayos de interpretaci3n sociol3gico-politica, Editorial Universitaria, Santiago, 1970.



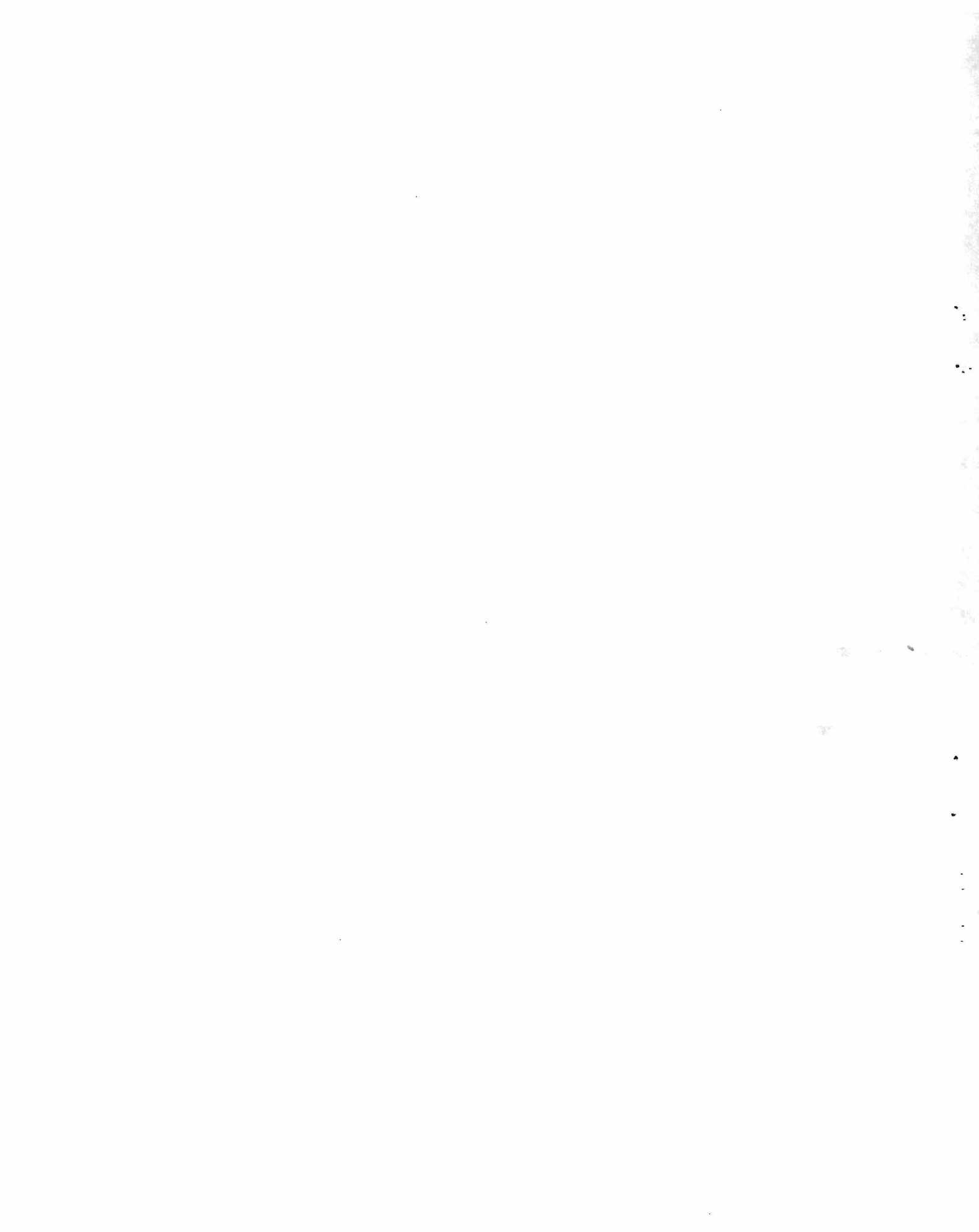
is not necessarily an asset for policy analysis in a region characterized by highly dynamic changes in the political systems and regimes and, at the same time, by recurrent limitations in the range of viable policy options as regards economic and social development.

A great deal of the documentary materials used in the preparation of this paper comes from the Latin American Institute for Economic and Social Planning (ILPES) and ECLA. The search of studies which might be appropriate for a State-centered policy analysis has not been easy because the available literature either belongs to a monographic kind of studies or falls into a "general essay" category. The former tends to be, by definition, highly specific in both subject and coverage, while the latter embraces a sort of literature which is, on the contrary, notoriously broad and thus, only allows for rather sketchy or abstract generalizations 10/.

Finally, it must be mentioned that the preparation of this paper has benefited from ILPES' recent works on the study of public policies in the framework of a research project centered on the relations between State and planning 11/.

10/ See, for instance the bibliography prepared by ECLA's Library Estado, Estructuras de Poder y Formaciones Sociales en América Latina, E/CEPAL/Lib.12, November 1975. A good piece of literature that skilfully combines the sharpness of monographic studies with the encompassing coverage of general essays in the study prepared by the United Nations, Social Change and Social Development policy in Latin America, E/CN.12/826/Rev.1, New York, 1970.

11/ ILPES, Seminario sobre Estado y Planificación (with the collaboration of the Instituto de Estudios Colombianos), Bogotá, Colombia, June 10 to 12, 1976.



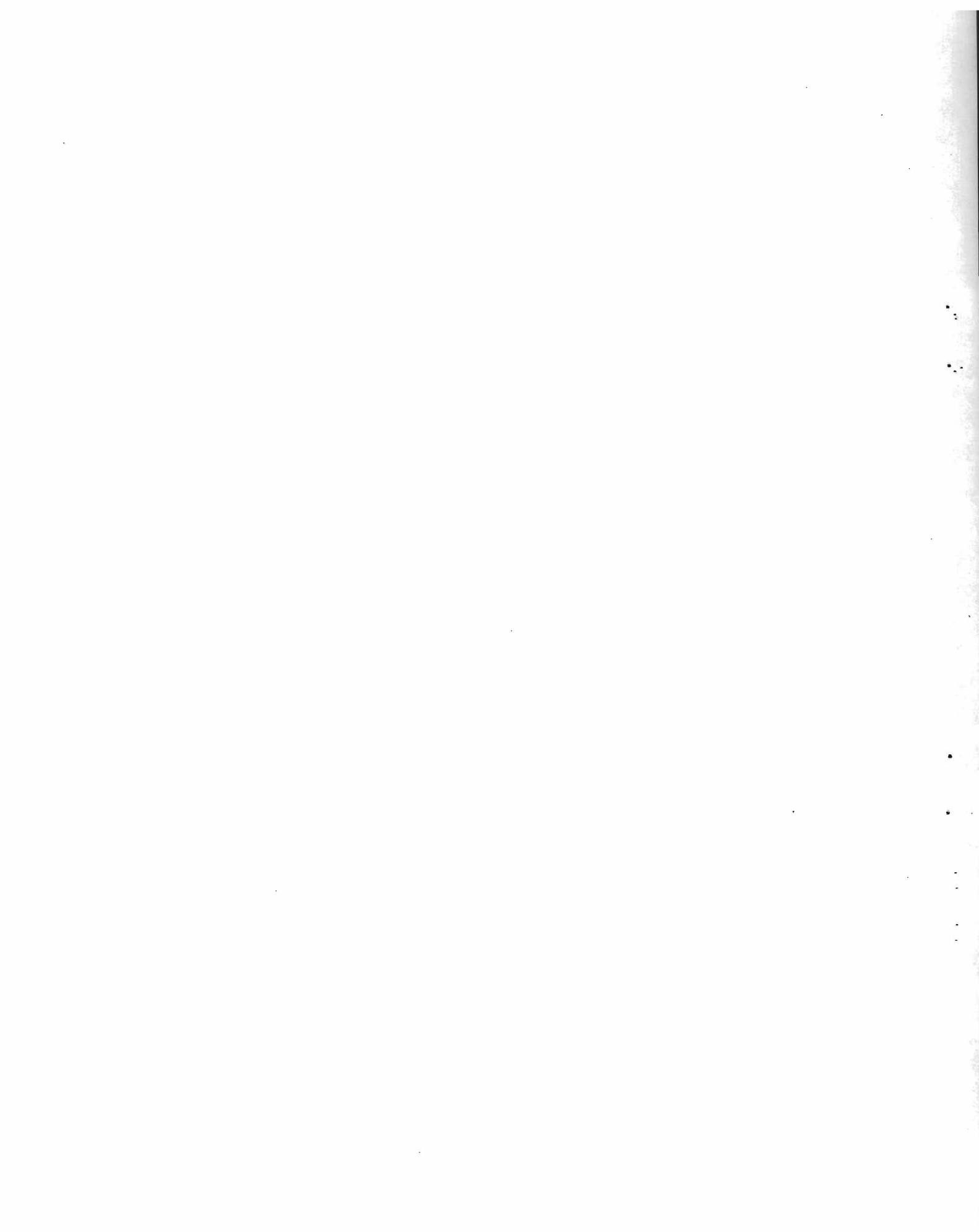
II - Towards an assessment of the policy-making capacities of the State in Latin America.

1. Raising the general question.

Few years ago Carmen Miró 12/ put forward some very important propositions bearing on the conditions for a population policy in Latin America and on the relationships of such a policy with both the planning process and the goals of social and economic development. Actually, Miró's propositions can be properly taken as major guidelines to raise most of the key issues which are relevant for a policy analysis of population in the perspective of development and development planning. To start with, a policy can only exist as a decision of the public sector, it presupposes a clear definition of its target group, a recognition of the desired course of events, a deliberate line of action from the part of responsible authorities, a declaration of intention and, lastly, an instrumentation of that intention. "Thus conceived a policy, it should be agreed that size, composition and rate of change (increase or decrease) of the population are not ends in themselves, there could not be an 'autonomous' population policy and, less still, a policy of general application. It could only exist adequately within the context of global planning, co-ordinated with the goals of economic and social development and, for these very same reasons, referred to a concrete situation" 13/.

12/ Miró, Carmen "Políticas de Población: Qué? Porqué? Para qué? Cómo?, Regional Interamerican Population Conference, Actas (Proceedings), volume II, pp. 276-281, México, 1970.

13/ Ibid, p. 278.



For our present purpose, the preceding statements can be taken, indeed, as a challenge for a State-centered analysis of population policies. In effect Miró was quite explicit on this point, at least on two counts: a) on the assumption that the State has a certain intervention in the social system (global planning and sectoral plans)-and also assuming that its action is oriented to the provision of equal and free access to the benefits of development for all its members-, it is impossible to postulate a demographic "laissez-faire"; b) on the assumption that there exists a National Development Plan which effectively guides the decisions of the State, a demographic policy should be made up by "the set of goals to be reached in relation to the size, composition, distribution and the rythm of population change that would be best fitted to both the declared objectives of the development policy and the strategies to reach them" 14/. Lacking the broad framework which is required to place the population policy in a social development strategy, Wolfe has pointed out that there will be a persistent incapacity for setting up a population policy that could influence both the quality and quantity of the future population" 15/.

From the preceding, it appears that the relevant focus for analysing population policies is to be found in the planning

14/ Ibid, p. 278.

15/ Wolfe, Marshall, "Las políticas de desarrollo social y las políticas demográficas en América Latina", paper submitted to the Latin American Seminar on Population Policies, Caracas, August, 1970, p.12.



process, which is typically tied up the policy capacities of the State-system; and in the contents of development strategies which involves both the State and the political system at large (the polity). In other words, the propositions that have been commented upon in the previous paragraphs need to be grounded in some assessment of real State capacities for assuming the political tasks of devising and carrying on development strategies and plans. Granted that population policies should be placed in the context of planning (this is a normative statement), the next step involves an examination of the real meaning of planning from the perspective of State policy capacities in the region (this is a factual statement). Without this examination it is difficult to gauge the extent to which the norm can be realistically applicable to the concrete socio-political realities prevailing in Latin America. What are, then, the policy-making capacities of the State in the region? This is the general question we will attempt to deal with in the following pages.

2. Structure and activities of the State.

The State in Latin America is a highly centralized entity. Historical and geographical reasons could be thought of to account for the economic, political and social preeminence of centralized patterns of territorial representation, public administration throughout the countries and geographical concentration of political



power in the capital cities. Centralization, in organizational terms, means a powerful concentration of resources that could be massively oriented, theoretically, to any component within the organization. However, this might be true up to a certain point. For centralization could be normally accompanied by an increasing conveyer of demands and "problems" on the very center where concentration of resources is taking place. When these two processes tend to reinforce each other it could be said that the organization has fallen into some sort of "centralization trap". Then, it could happen that policy capacities on the concentration of resources side, will be opposed by policy incapacities on the conveyer of demands side. To a certain extent it would seem that this general hypothesis is applicable to the dynamics of State formation in Latin America.

The following table shows that centralization, as indicated by budgetary allocations in different administrative levels is substantially high. Data obtained from a study by Walter Stöhr which includes 14 Latin American countries, show that in seven of them central government expenditure accounted for more than 90 percent of all budgetary allocations. Eleven countries were above the 80 percent figure, with Argentina (68.9 percent), Brazil (58.0 percent) and Colombia (70.5 percent) below it. At the lower end of size distribution of administrative units, only in Guatemala, Ecuador and Colombia budgetary expenditure at the municipality 16/ level was over 10 percent.

16/ These units are roughly similar to counties in the U.S. territorial administrative division.

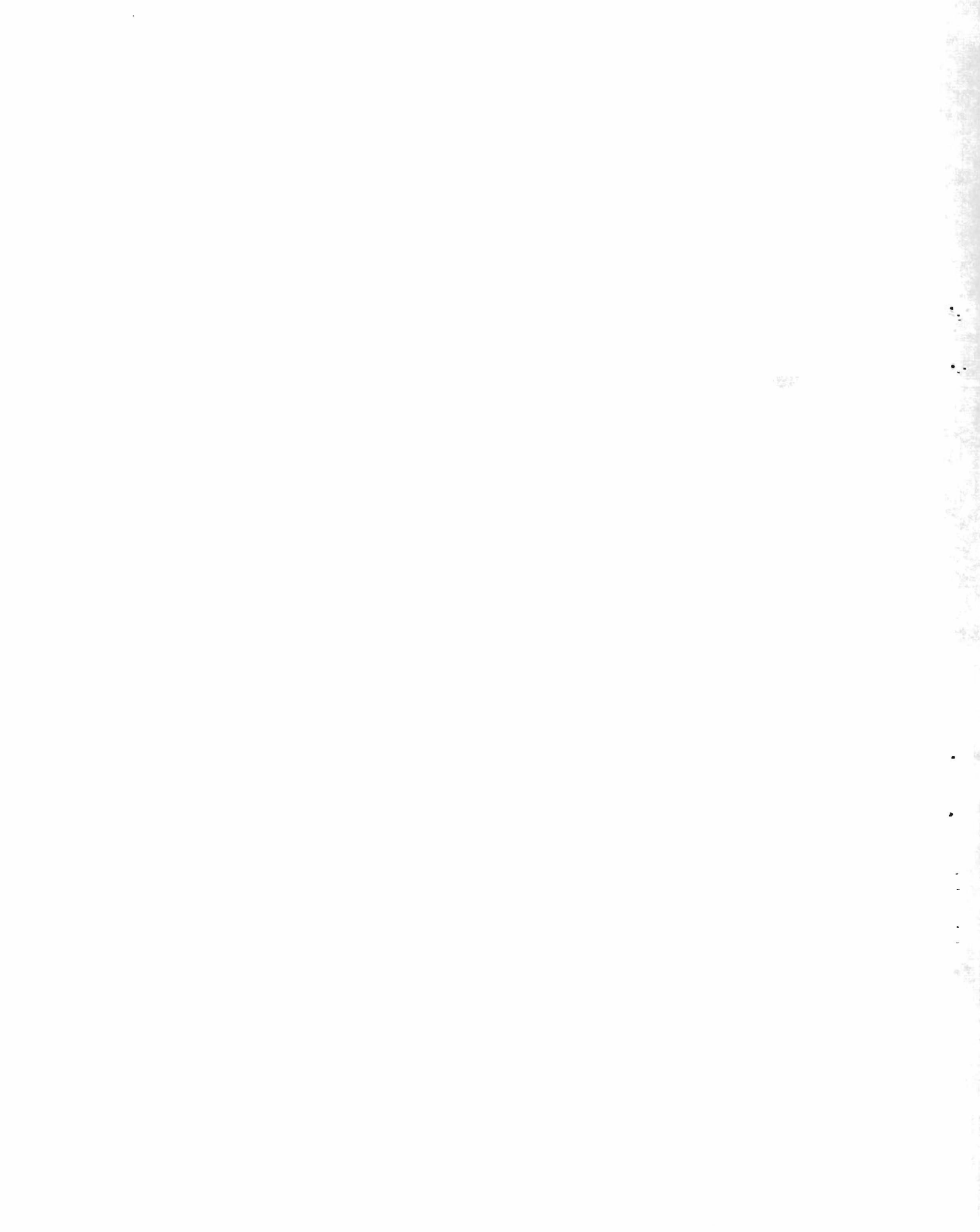


TABLE NO 1

Budgetary centralization in public expenditure
by administrative level

Country	year (s)	Central Government (%)	Provincial State departmental governments	Municipalities
I. Federal				
(a) Argentina	1963	68.9 %	23.0 %	8.1 %
Brazil	1966	58.0	34.0	8.0
Mexico	1958	90.5	7.1	2.4
Venezuela	1964-68	87.1	10.5	2.4
II. Unitary				
Bolivia	1958	97.8	-	2.2
Chile	1966	97.5	-	2.5
Colombia	1958-60	70.5	17.0	12.5
Costa Rica	1966	95.6	-	4.4
Ecuador	1967	81.0	1.0	18.0
(b) El Salvador	1967	96.8	-	3.2
(b) Guatemala	1960-67	89.7	-	10.3
(b) Honduras	1966-67	90.5	-	9.5
Nicaragua	1962	95.2	-	4.8
(b) Perú	1962	95.6	-	-
			11.3	

Source: W. Stöhr - Table 4

(*) Includes autonomous and decentralized Agencies and Social Security.

(a) Only current expenditure.

(b) Only capital expenditure.



The composition of public revenues and expenditures in Latin America could be helpful to get a general overview of the structure of the State. The following data synthesized by Griffin^{17/} from various sources referring to the public sector in the region, show some interesting aggregate magnitudes for different revenue and expenditure indicators:

Revenue indicators

1. Total tax revenue as per cent of GNP(19 countries) 14.7
2. Indirect taxes as per cent of total taxes(16 countries).... 75.0
3. Total income elasticity of the tax system(6 countries).... 0.96
4. Incidence of taxation in the agricultural sector(19 count.) 0.38
5. Surplus after depreciation of 24 public enterprises in Latin America (as per cent of enterprises activity)-21.9

Expenditure indicators

6. Public investment as per cent of total investment(1960-66). 35.1
7. Public investment as per cent of total governmental expenditure (6 countries) 36.9
8. Civil servants's salaries as per cent of governmental current expenditures (8 countries) 52.0

^{17/} Griffin, Keith "Monopoly Power, material progress and the economic surplus", in Griffin (ed) Financing Development in Latin America, Macmillan and Co., London, 1971, p.17. See also in the same compilation, Whitehead, Lawrence, "Public Sector Activities", pp. 79-91.



Looking for a more disaggregated analysis, in Table NO 2 we have synthesized a number of indicators elaborated by ECLA ^{18/} on the basis of national account statistics which give a fairly accurate description of the internal financial structure of the State in Latin American countries. To help in the analysis of these data we have ranked the countries in terms of their public sector contributions to gross investment (column 1). It should be noticed that this ranking is based on values for the year 1972, and therefore, is a static measurement reflecting only the incidence of public investment in the economy in that particular year. In principle this indicator would be affected by short run variability.

We have broken down this ranking of countries stratifying them in groups according to intervals of magnitude in the percentage of public investment over gross investment. Four groups were distinguished. The upper interval comprises countries in which public investment in 1972 reached over 50% of total gross investment (Chile and Bolivia). The next interval extends from 40 to 49.9%. (Two of the biggest countries in the region, Mexico and Brazil are positioned in here). In the 30 to 39.9 percentage interval we find a highly diversified grouping of countries including cases such as Panama on top (39.9%), Uruguay (35.5%)

^{18/} See ECLA, "Indicadores del desarrollo económico y social en América Latina", in "Cuadernos Estadísticos de la CEPAL", Number 2, Santiago, 1976.

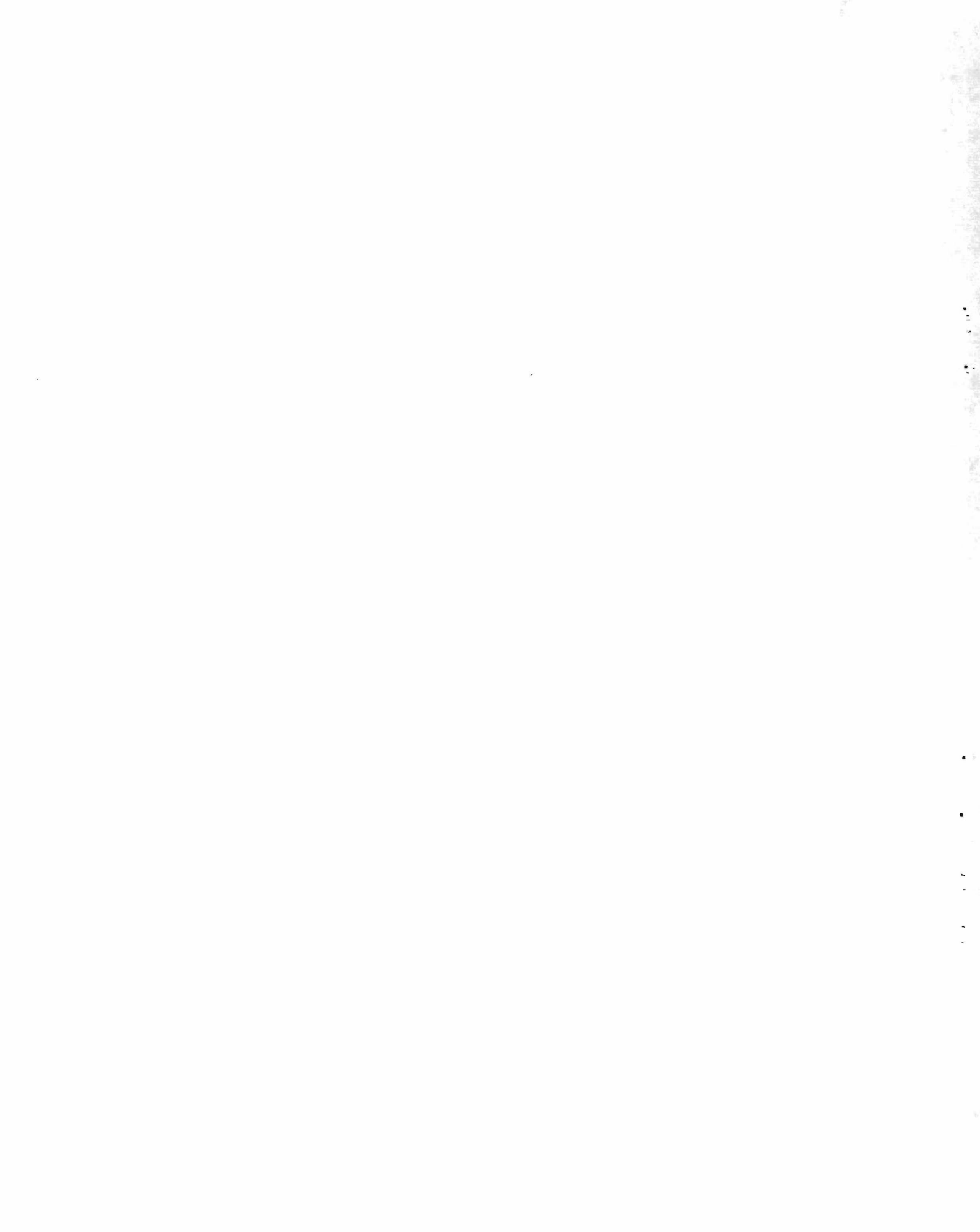
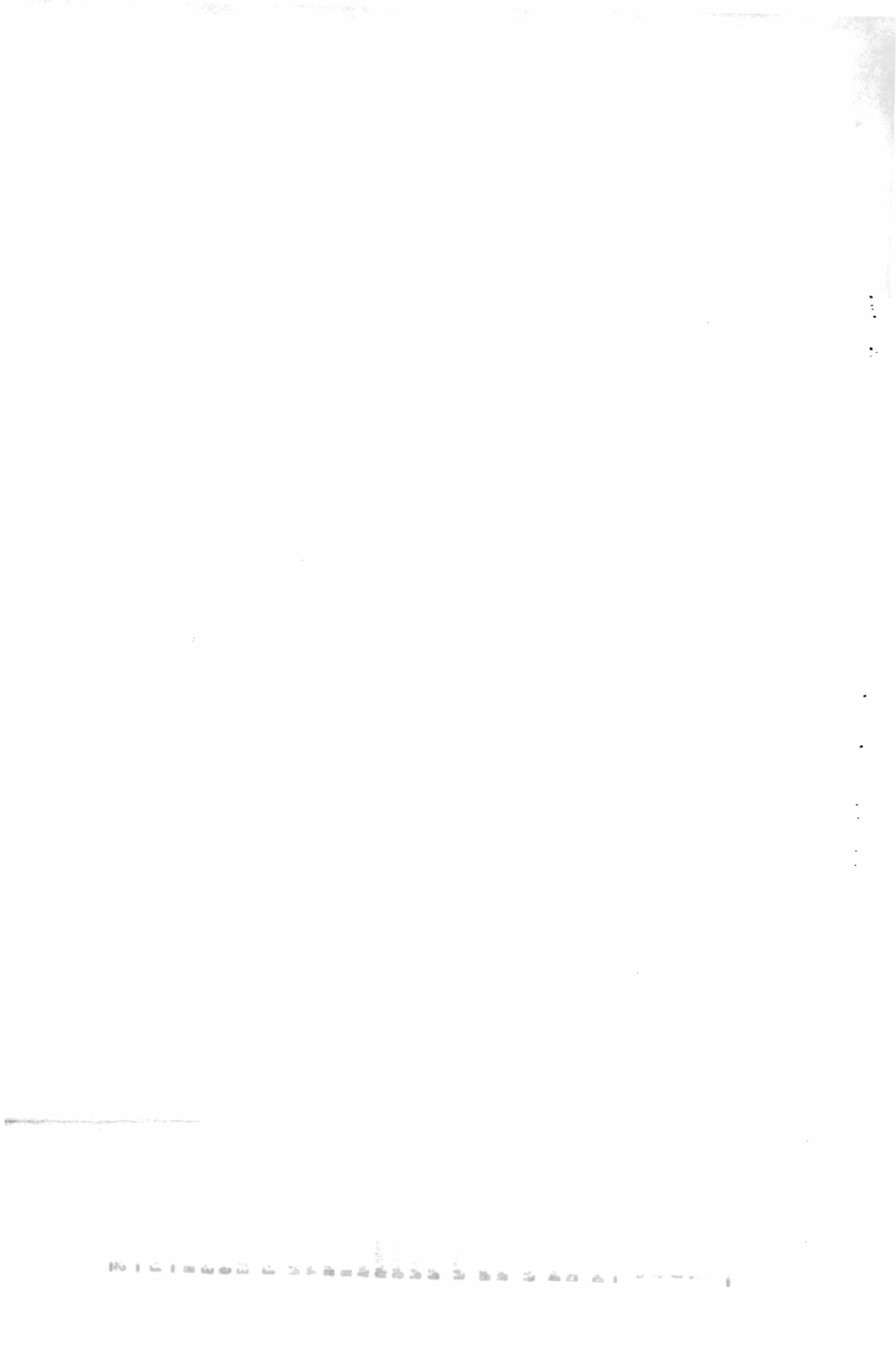


Table 2
INTERNAL FINANCIAL STRUCTURE OF THE STATE IN LATIN AMERICA

Countries by public investment ranking (1972) (% of gross investment at current prices)	Tax revenues (1972) (% of GNP at current prices)		Direct taxes (% of total tax revenues)		Indirect taxes (% of total tax revenues not of external trade taxes)		Product-elasticity of the tax system		Current expenditures of central government (% of GNP at current prices)		Consumption expenditures of central government (% of GNP at current prices)		Central government savings (% of gross national savings)	National savings (% of gross national income)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)					
Over 50%		(1960) (1972)	(1960) (1972)	(1960) (1972)	(1960) (1972)	(1960) (1972)	(1960) (1972)	(1960) (1972)	(1960) (1972)	(1960) (1972)	(1960) (1972)	(8)	(9)	
Chile (53,9)	16,5	16,8	38,6	29,8	41,4	60,5	1,12	0,90	22,5	31,4	10,8	16,1	38,6	8,6
Bolivia (54,1)	7,9	7,5	12,7	19,0	48,5	37,2	1,16	0,91	14,2	16,9	8,9	10,6	-	10,0
From 40 to 49,9%														
Mexico (44,5)	7,5	9,3	34,3	46,8	43,4	44,5	1,17	1,03	9,8	13,7	6,3	8,5	-	19,2
Brazil (41,6)	18,1	22,1	20,0	31,9	75,6	64,7	1,14	1,08	19,0	18,6	13,3	9,6	39,4	20,7
From 30 to 39,9%														
Panamá (39,9)	10,1	12,0	32,6	44,8	18,1	22,6	1,22	0,97	13,2	19,8	11,0	14,8	7,3	21,9
Pará (39,7)	13,0	14,9	38,1	35,3	39,1	43,7	1,18	0,99	17,9	18,2	8,8	11,0	3,7	12,1
Dominican Rep. (38,5)	16,5	14,0	23,7	31,2	38,1	20,6	0,90	0,93	14,2	12,3	12,6	8,7	-	19,7
Uruguay (35,5)	15,4	15,3	21,4	-	51,3	-	1,13	0,87	23,5	23,9	9,8	12,7	-	11,5
Venezuela (34,3)	12,8	14,7	55,5	76,1	17,9	15,7	0,98	0,96	15,5	16,4	13,9	13,7	22,1	30,3
Haití (34,3)	7,8	5,9	8,8	11,9	26,8	35,5	0,77	0,98	9,3	10,7	8,1	8,0	-	7,1
Nicaragua (33,9)	10,4	9,9	12,2	20,6	31,0	52,9	0,94	0,98	9,6	9,7	8,6	8,1	17,9	11,8
Argentina (32,8)	14,0	11,2	23,3	16,4	53,2	65,4	1,09	0,86	16,1	14,6	9,5	8,9	6,1	20,8
Paraguay (32,0)	8,6	8,3	17,2	20,1	17,3	40,7	1,21	0,88	7,9	9,7	7,3	8,0	7,1	14,9
Less than 30%														
El Salvador (29,2)	10,9	10,6	12,5	24,8	25,4	36,3	0,94	1,02	11,5	11,7	10,2	10,8	-	13,5
Guatemala (24,6)	8,6	8,3	9,2	19,3	45,0	53,8	0,97	0,99	8,8	9,3	7,7	7,5	-	10,5
Ecuador (24,5)	12,3	15,9	14,7	28,6	38,2	33,0	1,08	1,03	17,5	20,8	13,3	18,2	35,3	15,4
Honduras (22,5)	10,7	11,0	17,3	25,9	31,1	42,1	1,12	0,96	12,2	13,2	11,0	11,5	3,7	14,4
Latin America (39,8)	13,0	14,4	29,6	36,2	49,4	51,3	1,10	1,01	14,9	16,4	9,9	9,9	-	19,4

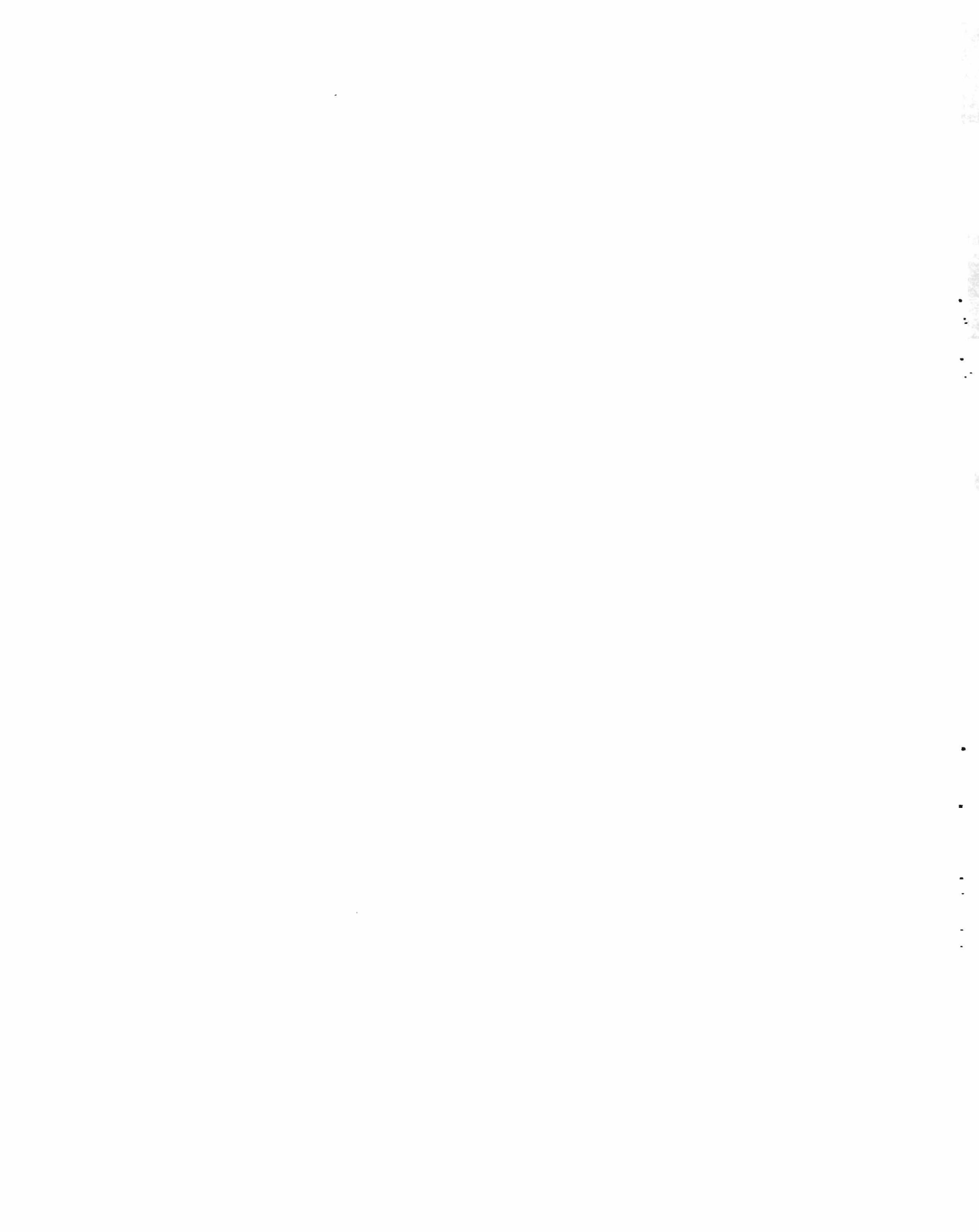
Source: United Nations, ECLA, "Indicadores del Desarrollo Económico y Social en América Latina", Cuadernos Estadísticos de la CEPAL, No 2, Santiago, 1976; Tables in pages 55 (1); 79 (2); 83 (3); 84 (4); 85 (5); 80 (6); 81 (7); 78 (8) and 76 (9).
Columns 8 and 9: figures obtained on the basis of 1970 values.



Haiti (34.3%), and Argentina (32.8%). Four small sized countries fall into the last group where public investment represents less than 30% (El Salvador, Guatemala, Ecuador, Honduras).

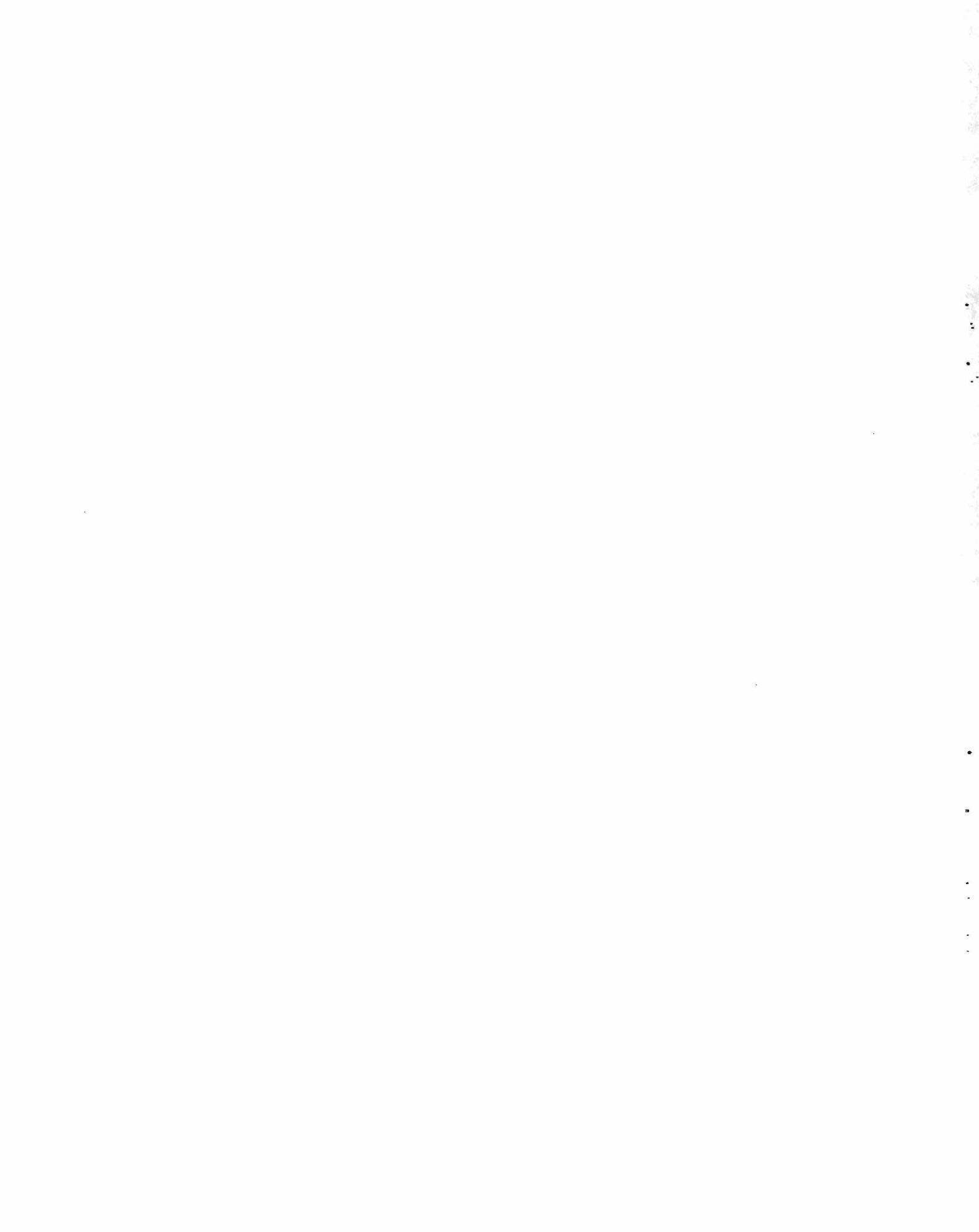
As we move across the Table, the overall picture tends to show a considerable degree of heterogeneity as regards the lack of correspondence between the position of countries in the investment ranking, when compared with the values they are assigned in the rest of financial indicators included in the Table. In other words, this heterogeneity would mean that a same degree of State intervention measured by the incidence of public investment in the National economy, could be attained with very different State financial structures.

On the revenue side we have included a set of taxation indicators (columns 2 to 5), measured in two dates (1960 and 1972) to allow for changes in a period of time. With very few exceptions almost all countries show relative progress in the development of their internal tax systems. As regards the overall "size" of taxation indicated by tax revenue as a percentage of G.N.P., only four countries (Dominican Republic, Haiti, Nicaragua and Argentina) show a relatively significant decline, in the 1960-1972 period. In some cases, on the contrary, there has been a considerable relative growth in tax revenues.



The next indicator, percentage of direct taxes over total tax revenues, is usually accepted as a measurement of "progressiveness" in the tax structure. Development of tax systems in the region according to this criterion has been quite considerable. In every single case, with the only exception of Chile, there has been a noticeable move towards progressiveness in internal taxation. For Latin America as a whole, percentage of direct taxation over total tax revenues went up from 29.6 in 1960 to 36.2 in 1972. Besides progressiveness, an overall increase of such a magnitude can also be taken as a strong indication of bureaucratic modernization in the management of national taxation systems. Direct taxes presuppose a certain degree of efficiency in bureaucratic control in the various phases of a fairly complicated process; tax payer registries, tax returns and collection cannot be handled if the State has not gone beyond certain "thresholds" of both bureaucratic growth and accumulation of administrative skills and practices in the State bureaucracy.

The general picture as regards indirect taxation is somewhat more varied. Taxes of this kind operate through the price system and therefore represent a generalized, undiscriminated charge in the final cost of services and consumption goods. Indirect taxation in the form of value-added taxes can also be applied to intermediate goods. In this respect most countries in the Table under comment show an increase in the proportion of this kind of taxation measured as a percentage over the total internal tax



revenue, that is, net of external trade taxes. Taking into account the move towards progressive direct taxation that has been examined already, this increase could appear at first sight, somewhat contradictory, if taken in itself. A more careful explanation should take into account that a change in indirect taxation could be the outcome of two different situations. It could either result from changes in tax rates or from changes in the level of consumption as a function of aggregate demand. We are led to think that the trend towards an increase in indirect taxation that can be observed in the Table for the 1960-1972 period, is rather a result of an expansion of aggregate demand than a consequence of tax rates. This sort of Keynesian interpretation is apparently corroborated by increments in other indicators in the Table such as government current expenditures. To the extent that aggregate demand is partially a function of government expenditure, we would expect that increases in the latter would expand the level of overall consumption and, through it, to increases in indirect taxation revenues.

For the period we are referring to, current government expenditure measured as a percentage of G.N.P., went up from 14.9 in 1960 to 16.4 at the end of the period, for the region as a whole. In only two of the 17 countries included in the Table (Dominican Republic and Argentina) there was a relative decline in the level of current expenditure by the central government. Government consumption expenditures, on the other hand, remained unchanged on the average, during the same 12-year period.

In short, the data on the internal financial structure of the State in Latin America we have been examining so far, would seem to support a general conclusion in the sense that there has been an important trend towards bureaucratic modernization in the development of the State in the region. This conclusion, in any case, should not be necessarily understood as an optimistic view of political capacities for an increasingly active role of the State in social and economic development. In general, we have been referring to a complex bureaucratic structure which is no more than an instrumental condition for such a role. Therefore, "concepts such as taxable capacity, tax effort, the elasticity of government revenue, the composition of expenditure and the level of State investment cannot be interpreted correctly if account is not taken of the historical inheritance of poverty, the dependence of the underdeveloped countries on the exterior, the political situation and the pressures for rapid social development" ^{19/}. These contextual aspects will not be analysed in depth in this opportunity (at least in this preliminary draft).

3. An appraisal of planning experiences in Latin America.

a) The emergence of formal planning.

A fruitful way of assessing the development of the State in the region, from a policy viewpoint, would be to look at

^{19/} Arrate, Jorge and Geller, Lucio, "Economic Surplus and the Budget", in Griffin, op. cit., p.71.

planning as a process that is intended to increase the capacity of the State to guide the overall movement of society. Planning will always imply, to some extent, a reinforcement of some discernible trends in that movement, and, at the same time an attempt to change some other trends more or less drastically. Assuming from the outset that planning is never a neutral technique, this paper will not be concerned with the technicalities of planning but rather with the process of planning in the context of State formation. We will thus disregard the "essentials" of planning in Lewis' terms 20/ in favor of an examination of planning experiences which may, hopefully, lead us to some structural insights into the policy-making capacities of State and governments in the region.

As Table NO 3 shows, national high-level agencies in charge of formalizing and rationalizing the tasks of economic planning became a general feature of the bureaucratic set up of the state systems in Latin America towards the end of the fifties and the beginnings of the sixties. Practically all studies and works done on this matter stress the point that the impulses for this widespread acceptance of the rationality of planning were twofold: i) on the external side, the Punta del Este Conference (1961) which instituted a new external aid policy whereby the foundation of a National Development Plan became a requisite for international financial aid, and ii) internally, a definite set

20/ Lewis, W. Arthur, Development Planning, the essentials of Economic Policy, Harper and Row, New York, 1966.



of common critical problems affecting the functioning of the national economies in that period 21/.

In general terms, these problems were linked to a number of salient trends that were felt to be jeopardizing the viability of national economies in the region, such as: i) an accelerated demographic growth as indicated by average yearly population increments of 2.8 per cent during the 1950-1960 decade; ii) a persistent trend towards demographic concentration in urban areas. Average yearly growth rates of cities having 20,000 thousand or more inhabitants, had increased from 3.6% in the period 1930-1940, to 4.5% in the next decade and to 5.4% in the 1950-1960 decade; iii) a cumulative increment of open unemployment at a yearly rate of 3.5% which meant a widening unemployment gap as compared with average labor force increments of 2.8 per cent per year; iv) a cumulative deficit in the regional current account

21/ See, for instance the Prebisch report to the Interamerican Development Bank (BID) entitled "Transformación y Desarrollo: la gran tarea de América Latina", Fondo de Cultura Económica, México, 1970 (Raúl Prebisch was then Director General of ILPES). The second volume of this report, containing the supporting documents prepared by ILPES, is particularly valuable, especially chapter 3 (Cibotti and Bardeci "Un enfoque crítico de la planificación en América Latina"); chapter 6 (Iglesias, "Notas para la discusión de las dimensiones del problema de la cooperación externa") and chapter 7 (Iglesias, "Guía para la discusión sobre la movilización de recursos internos en la experiencia de algunos países latinoamericanos"). Also, ECLA, "La planificación en América Latina" in Boletín Económico de América Latina, vol XII, No 2, October, 1967.

TABLE NO 3

The origins of planning agencies and
systems in Latin America

Countries	Date of first planning agency	Creation of the present national planning system
Argentina	1961	1966
Bolivia	1953	1963
Brazil	1956	1963
Colombia	1951	1963
Costa Rica	1963	1963
Cuba	1960	1961
Chile	1939	1964
Dominican Republic	1962	1962
Ecuador	1954	1961
El Salvador	1962	1962
Guatemala	1954	1954
Haiti	1962	1963
Honduras	1955	1965
Mexico	1958	1962
Nicaragua	1952	1952
Panama	1959	1959
Paraguay	1948	1962
Peru	1962	1962
Uruguay	1960	1966
Venezuela	1958	1958

Source: Cibotti, Núñez del Prado, Sáinz, op. cit. Table 1

Original source: United Nations, Estudio Económico de América Latina, 1964
(E/CN.12/711/Rev.1).



in the balance of payments (excluding Cuba), which represented from 5 to 10 per cent, per year, of total exports value for the period 1955-1964 and, finally, v) a persistent inflationary process throughout the region. From 1956 to 1963, consumer prices indexes had reached yearly increments above 35 per cent in Argentina and Brazil (over 70% in some years); from 23 per cent to 50 per cent in Chile and Uruguay; 13 to 19 per cent in Colombia and Bolivia (the latter had a 100 per cent inflation in 1957), and around 9 per cent for most of the remaining countries 22/. The setting up of some form of planning system at a national level was postulated as the policy to be followed regarding the role of State in order to overcome the economic and social problems provoked by such a combination of trends and processes.

This does not mean however, that before the period when present national planning systems were being established there had not been some planning activity undertaken by the State. In quite a few countries, as Stöhr has said, regional programs and certain amount of administrative decentralization were triggered by sheer catastrophies. When natural disasters did occur, highly centralized public bureaucracies were unable to deal efficiently with the economic and social problems arising from emergency

22/ All these figures are taken from Cibotti, Ricardo, Núñez del Prado, Arturo and Sáinz, Pedro; "Evolución y perspectivas de los procesos de planificación en América Latina", in ILPES, OEA, BID Experiencias y problemas de la planificación en América Latina, Siglo XXI, Mexico, 1974, pp. 29-58.



situations 23/. Some examples of this situation can be found in Peru (earthquakes leading to the creation of departmental development corporations); Brazil (creation of a National Department for Works Against Droughts, and later, SUDENE); Mexico (river-basin commissions established from 1947 on to face inundations and irrigation problems) and El Salvador (metropolitan planning effort after the 1965 earthquake). Planning agencies thus created, mostly at the regional development level, "transformed themselves in the course of time into an instrument of regional or national power and became long-term institutions which have played important roles in the evolution of subsequent national planning systems 4/.

b) Dealing with internal structural heterogeneity:
Regional Planning in Latin America.

In a comprehensive study which was undertaken in 1969, Walter Stöhr 24/ analyzed two major interrelated dimensions of regional development policies in Latin America, namely: 1) decentralization of decision-making, which is concerned with a redistribution of power between centres and peripheries inside the

23/ See Stöhr, Walter, "Regional Development in Latin America: experience and prospects". Santiago, 1969, a document submitted to a Seminar on the regionalization of development policies in Latin America, under the auspices of ODEPLAN(Chile), ECLA, ILPES and PLANDES(Chile), September 8-12, 1969.

24/ Ibid.



country, and ii) substantive contents of regional policies from the point of view of resource allocation in the national territory.

The study identified 56 regional programs carried out or supported by official agencies, referring to geographic areas of major size or importance within the national context (or within the continental context for cases where regional development programs involved a joint effort by two or more countries). As regards the first dimension, Stöhr found that only few of such programs had decentralization of decision-making as a major orientation. The author concludes that "the predisposition for policies for the decentralization of decision-making does not depend solely from the present degree of centralization, however, but also from other characteristics such as size and form of the country, number of population, degree of urbanization, literacy rate, per capita income" 25/.

Utilizing the degree of budgetary decentralization as an indicator of decentralization of decision-making, Stöhr found that surface of country, population size, maximum distance between decision-making center and colonized peripheries (relative to national borders) showed a high negative correlation with decentralization of decision-making. As the author says, "this

means that the larger a country, the greater the tendency for decentralized budgetary decision" 26/.

Looking at these relationships at the regional level, the study in reference stresses that not all regions within a country are equally prepared for decentralized decision-making. This is a point worth emphasizing here because it gives some important hints for assessing both ends of decentralization processes: the tendency and "willingness" to decentralize at the Central (or National) government level and the reception of decentralization at the regional or peripheral level. On this, as the following Table shows, the study concludes that uncolonized areas, which are typically in the initial stages of development, will neither demand nor be able to receive decentralized decision-making functions because they are heavily dependent on central government support. Depressed areas will normally fall into some sort of backwardness trap insofar as they only have, at the best, a latent demand for decentralization due to the very same fact of their depressed, stagnant socio-economic level, and at the same time, will tend to have only limited capacity to assume decentralized functions.

26/ Ibid, p. 67. It might be worth mentioning that Stöhr found a correlation of 0.79 between national surface and centralization of public expenditure at the central government level; 0.71 between the latter and number of inhabitants. He also found that centralization of public expenditure had a 0.59 correlation with maximum distance from the national capital to populated areas (having more than 5 inhabitants per km²).

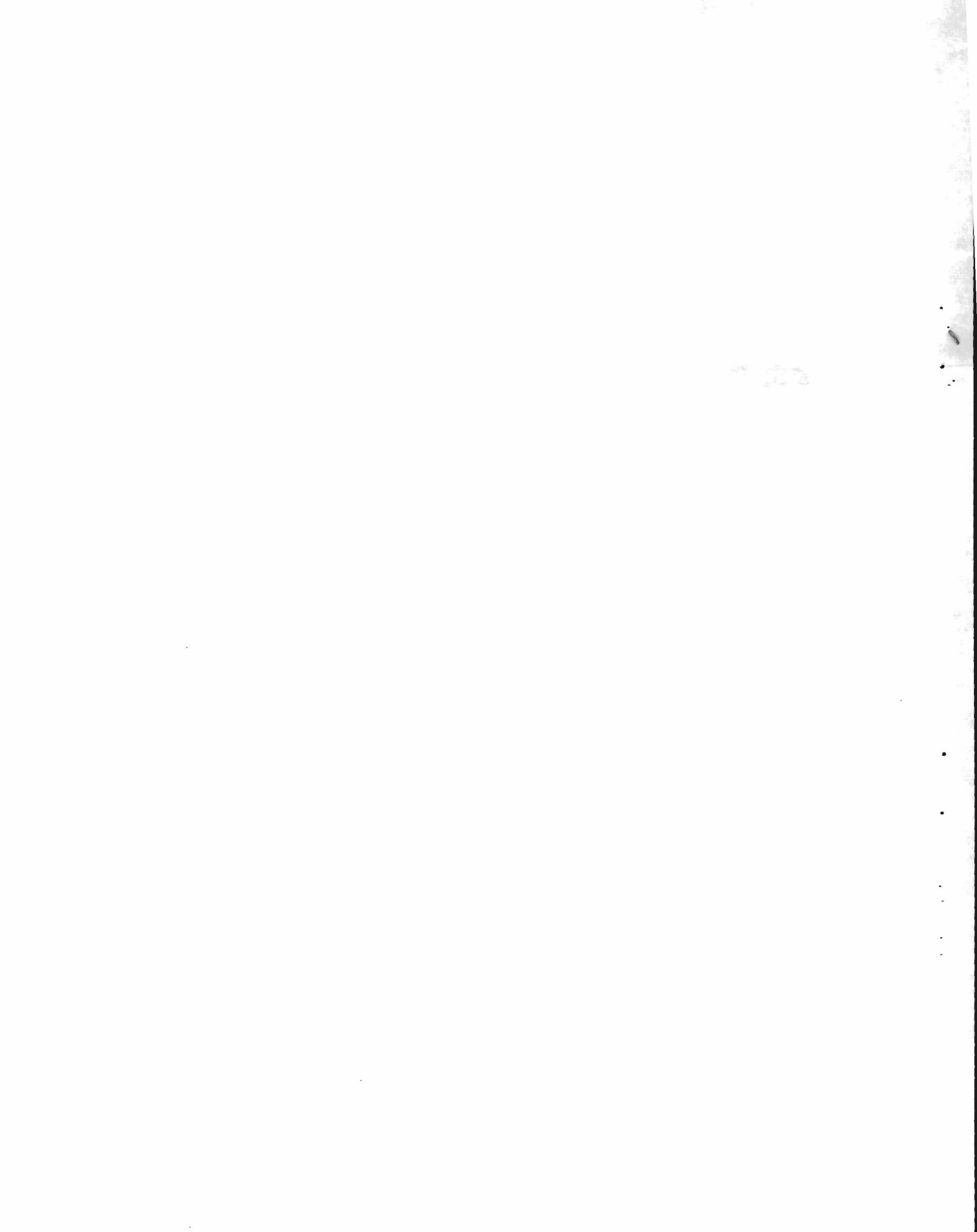


TABLE NO 4

Decentralization of decision-making

	<u>Demand for</u>	<u>Ability to receive</u>
a) Uncolonized areas	Inexistent	Negligible
b) Depressed areas	Latent demand	Limited capacity
c) Metropolitan and relatively developed areas outside the National Capital	Strong demand	Highest capacity
d) Border areas	Easy to bargain for decentralization even if it is latent and/or weak	Reinforced by Central government even if it is limited

Source: Adapted from Stöhr, op.cit. pp.66-71.

In contrast, metropolitan areas and those relatively developed regions apart from the national capital, will tend to have both the highest capacity to assume increasingly autonomous functions and the strongest demands for decentralization. Finally, border areas "very often constitute a special case in which national governments are prepared to grant far-reaching powers of self determination in order to maintain national integrity. This is particularly true where border areas are densely populated and at comparatively large distance from the national capital" 27/

27/ Ibid. p. 70.



From a substantive point of view, that is, as regards spatial resource allocation, the study examines regional programs according to the four categories or types of regions already mentioned. In the first place, Stöhr found that there were no explicit inter-regional, nation-wide policies for dealing with depressed areas in Latin America, although empirically, there is strong evidence of pronounced inter-regional differentials ("desequilibria" in his words), in terms of per-capita income. Attempting to account for this apparent contradiction, Stöhr arrived at the conclusion that countries with high inter-regional differentials tend to have both scarce economic capacity to allocate resources in favour of depressed areas and relatively little political pressure to effectively impose a shift of resources in that direction.

In spite of their lack of nation-wide, comprehensive, inter-regional development policies most countries in the region, however, have some kind of program for their depressed areas. These programs tend to have an ad-hoc character, are usually unrelated to other development programs and do not fit into an explicit national development strategy. Nonetheless, as Stöhr says "in no Latin American country systematic alternatives such as migration policy have been applied as yet to the

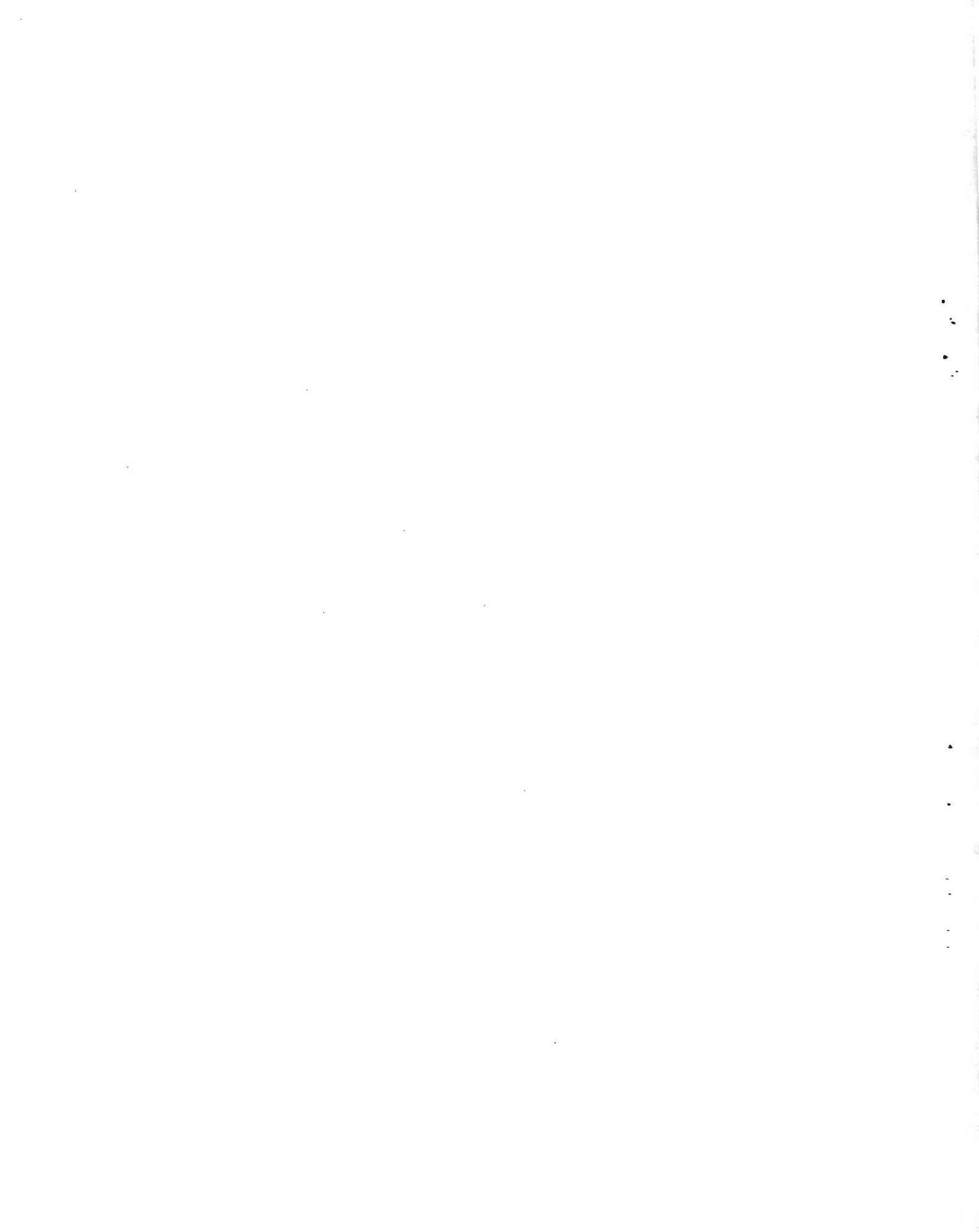


depressed area problem" 28/.

Much of the same is also true in the case of policies and programs for the opening up of new territories. Colonization programs are relatively easy to start. "The main public functions usually are the opening up of a penetration road and some stimulus towards immigration by means of land titles or migration subsidies. Colonization takes place spontaneously in most cases, at best according to previously defined land division plans. Following this initial colonization the State will then put in some basic local infrastructure" 29/.

28/ Ibid. p. 78. Among the existing depressed area development programs, the most interesting cases are the Brazilian SUDENE and the river basin development corporations in Mexico. These programs are representative of two major "models" to regional development based on an infrastructural-agricultural development approach (Mexico) and an industrialization approach (SUDENE). A recent work on the SUDENE which analyses its relation with the economic and political context of the Brazilian State is CEBRAP, "Estado y Sociedad en el Brasil: la planificación regional en la época de la SUDENE", a study submitted to the ILPES' Seminar on State and Planning, Bogotá June 1976. (mimeo). Infrastructural-agricultural programs "are usually slow in tangible progress and their integral results on development are difficult to measure. Achievements tend to be formulated in terms of recuperated agricultural land, installed electrical capacity, energy produced, length of roads constructed" (Stöhr, p.80). Industrialization programs, as the SUDENE experience shows, tend to face some recurrent problems such as: lack of self-sustained regional growth with decreasing dependency from extra-regional inputs (absence of a regional multiplier effect), lack of diffusion of the developmental process from industrial locations to the rest of the region, and weak compatibility between the region's development model and national development criteria (Stöhr, p.83).

29/ Stöhr, pp. 91-92.



The risk of most colonization policies which follow this sort of pattern are twofold: i) the danger of un-economic colonization with greatly increased overhead costs arising in later stages; ii) a complex mix of spontaneous social structures which tend to appear in the colonized areas after the initial State effort in physical investment, and, at the same time paternalistic institutional forms (both private and public) which tend to emerge once the pure occupation of territory is achieved.

From the perspective of regional development metropolitan areas and major cities in Latin America have undoubtedly, a particular weight of their own. Studies and figures consistently show that the region as a whole is going through a sustained and rapid process of massive transfer of population from rural to urban areas. We can just mention here that this trend has meant that the percentage of population in cities over 20,000 inhabitants has gone up from 25.6 in 1950 to 41.1 per cent in 1970 30/. A great deal of effort has been devoted to describe, analyse and

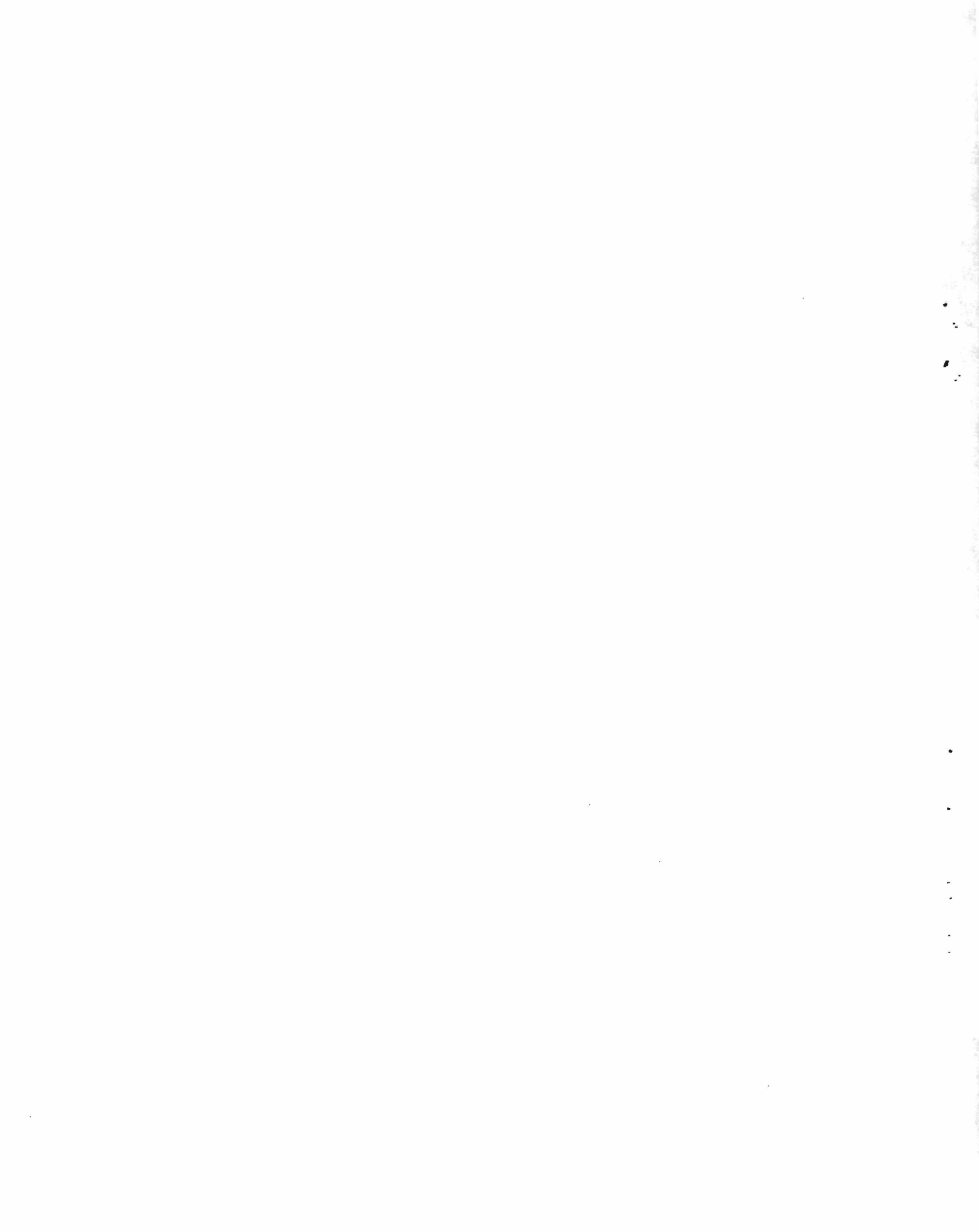
30/ From ECLA, Población y Desarrollo en América Latina, vol I E/CN/12/973, February 1974, quoted in Di Filippo, Armando "El desarrollo regional diferenciado y la dinámica demográfica en América Latina", PISPAL, Central Unit, Working Paper Series NO 15, Santiago, October 1976, Table 24 (See also Tables 22 and 23 in the same paper, for disaggregated figures).

100-100

explain the magnitude and the dynamics of this crucial urbanization process 31/. Obviously, there is no, and surely there could not be a single-factored causal explanation for such a complex phenomenon 32/. From a regional development standpoint, perhaps the most important causal processes underlying such a large-scale demographic transfer, are those linked to both economic and political centripetal forces that are put into motion by the functioning of urban centers in their relations with the rest of the country. To the extent to which this general process can be thought of as a dynamics of concentration leading to more concentration there are some considerations which can be raised for the sort of assessment we are engaged in here: 1) urban regions, particularly the metropolitan areas and the next-in-size cities, (e.g. over 1 million inhabitants) are and will be in the foreseeable future the pacemakers for most viable strategies of internal

31/ As a mere illustration of this point it can be mentioned here that a bibliographic study dated in 1969 identified 1.557 published works on the subject. See Vaughan, Denton, R., Urbanization in Twentieth Century Latin America: a working bibliography, Institute of Latin American Studies, Population Research Center, The University of Texas at Austin, 1969.

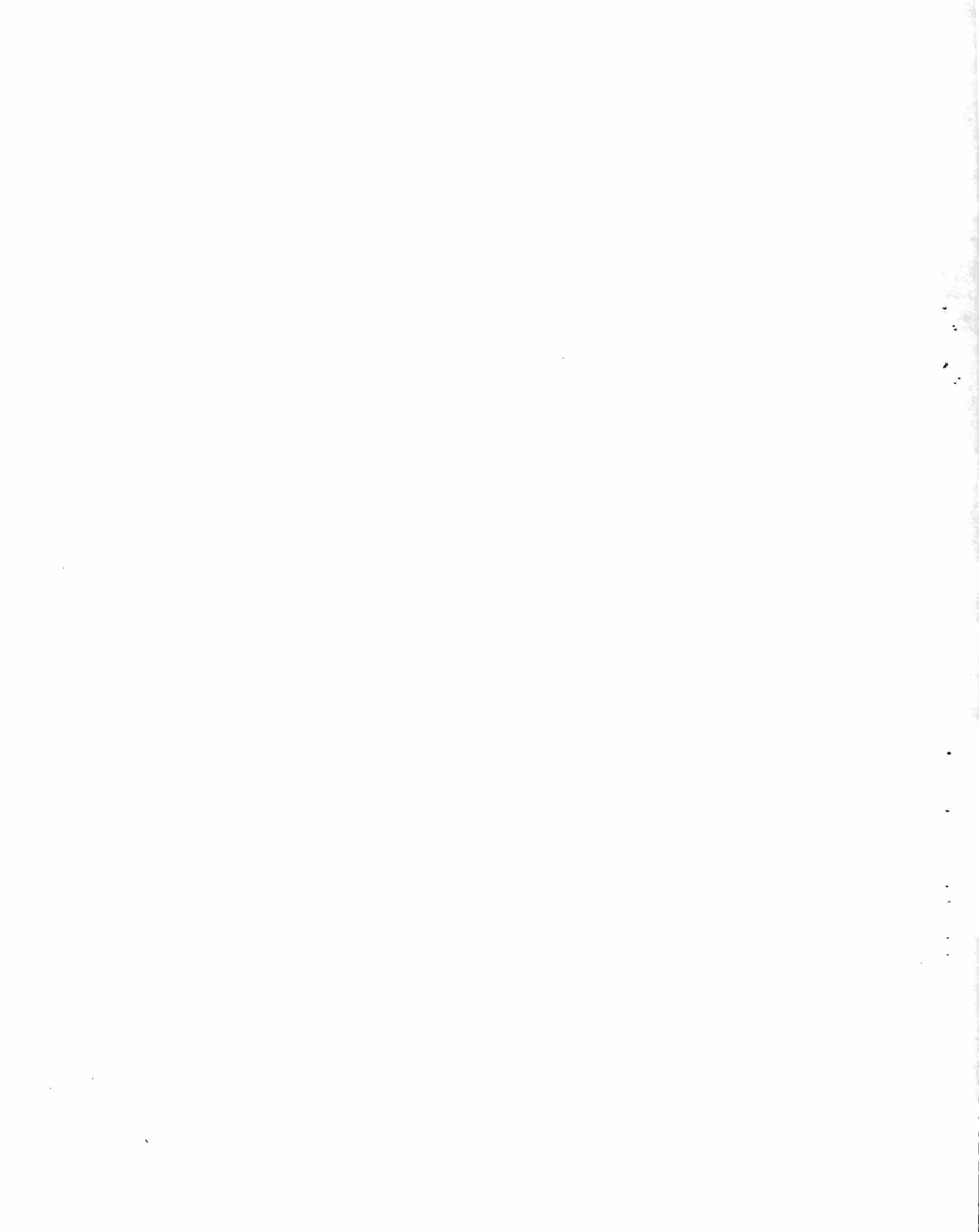
32/ Multidimensional, comparative research projects are strikingly scarce on the subject of modern urbanization processes and patterns in Latin American countries. A case in point, though, is an on-going project including six countries in which has been developed within the PISPAL research program. ("Regional development, public policies migration and urban primacy in Latin America" (in spanish), various documents of the Central Unit of PISPAL).



development in Latin America; ii) to a great extent it seems that in almost all countries in the region some sort of development "automatically" takes place in these areas, as shown by the fact that almost every single socio-economic indicator has a significant quantitative growth in the larger urban centers in each country, and iii) rapid structural transformation processes in the urban economies, proliferation of social demands conveying on urban political structures and conflict situations arising from internally heterogeneous urban social structures, are and will probably continue to be the major sources of pressures and "problems" for the management of the national State.

In spite of the above it looks as if both national and regional planning gives less attention to the development of urban areas when compared with the planning State effort which is being devoted to other types of regions such as those mentioned in the previous pages.

Relying once more in Stöhr's study, urban development policies in Latin America with some few exceptions, have not gone beyond the traditional phase of land use regulation. In most of the large cities some physical planning has been undertaken in that direction, but normally this planning effort is left without



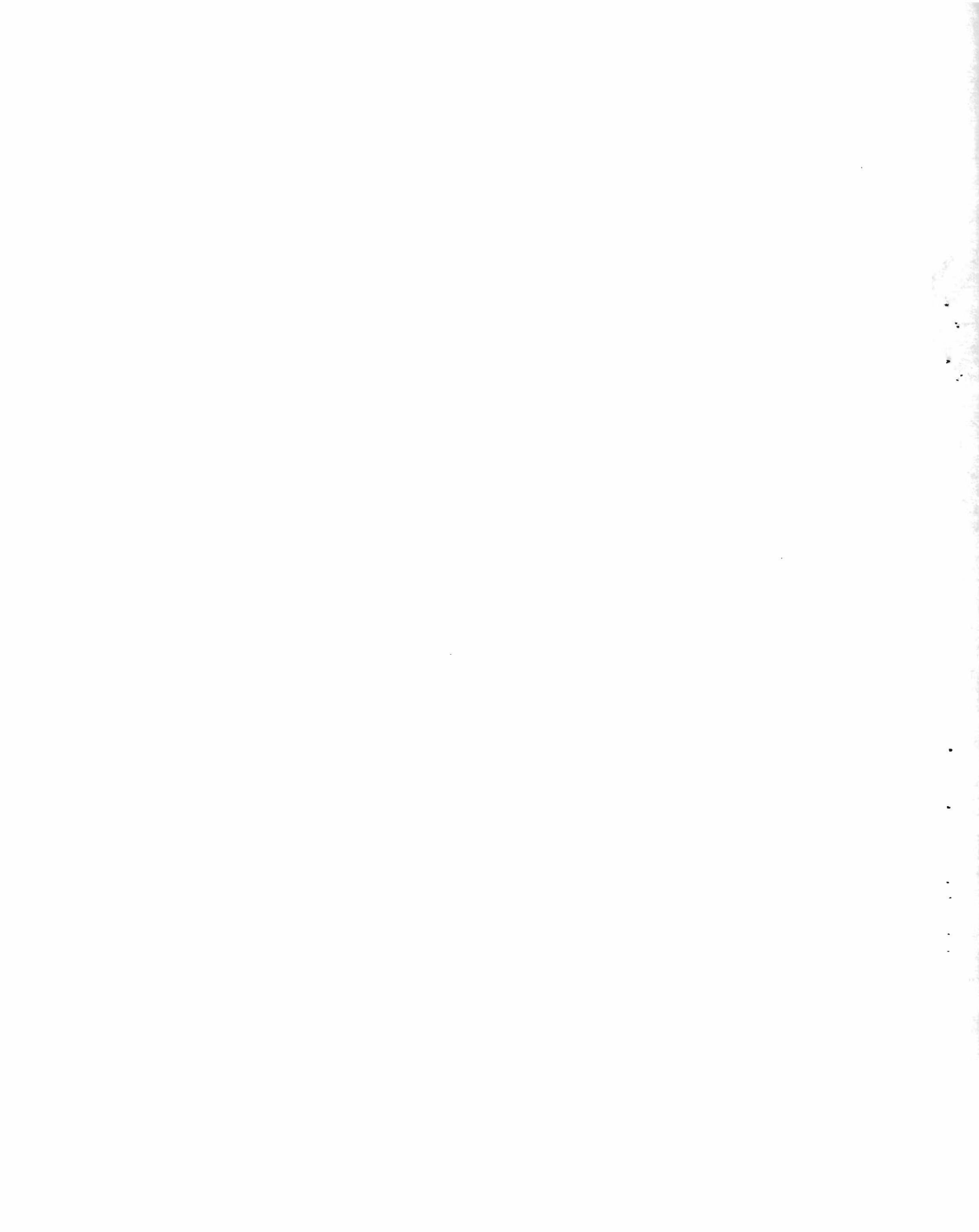
complementary socio-economic development plans or investment programs 33/. According to that study the absence of coordinated policies of integral urban development could be related to various factors that point towards the political and administrative set up which seems characteristic of big urban centers in Latin America. In the first place a major proportion of the investment budgets of national public agencies in the State bureaucracy flows into these urban areas, particularly into the capital city, so that "they are little prepared to limit their freedom of decision by either delegating power or submitting decisions to coordinating mechanisms". Secondly, representative metropolitan bodies are usually synchronized with the national ones, so that "there exist no institutional framework for expressing specific aspirations of metropolitan units or for bringing pressure on the central government to delegate functions. Finally, "governmental action in metropolitan areas is often more sectoralized even than in other regions of the country" 34/ .

In the context of integral urban planning as a part of a broad notion of regional development, new growth poles programs should also be mentioned. Most of these programs are based on classical central location theory for the definition of growth poles and utilize some explicit model of external economies and economies of scale 35/. Some examples of growth pole

34/ Ibid p. 107.

35/ A good review of the conceptual framework of growth pole development in Latin America is the compilation prepared by ILPES(ed) "Planificación Regional y Urbana en América Latina", siglo XXI, 1973

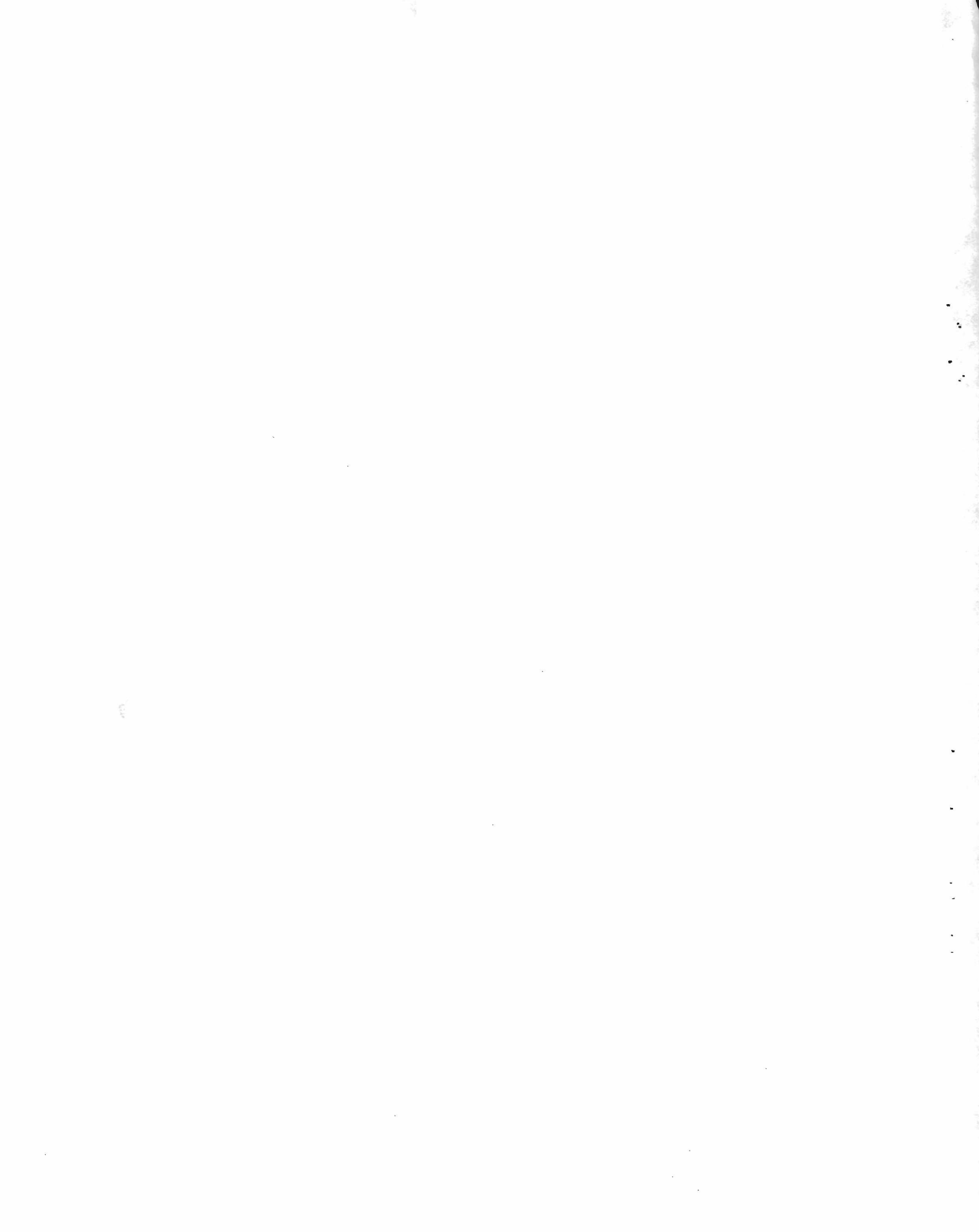
BIBLIOTECA "GIORGIO MORTARA"
CENTRO LATINOAMERICANO
DE DEMOGRAFIA



programs in Latin America are the cases of Brazilia and Guyana City. In the case of Brazilia what was involved was basically the creation of a new city on a service function (government). "As the population of Brazilia and its local demand grew, agricultural and some industrial development in its surroundings was induced". This case represents a rare instance where "a region was developed almost exclusively from the local demand side (instead of from the production-side or on the basis of regional resources". The Guyana Regional Development Program (Venezuela) represents a reverse process in that the new city was developed exclusively on the basis of regional resources and consecutive heavy industry. "It is interesting to note the difference of spatial development patterns in these two cases: Brazilia has had a considerable diffusion effect on its surrounding areas while Guayana City is essentially draining resources and the scarce economic development that had existed (e.g. of Ciudad Bolívar) from its hinterland" 36/.

As regards population redistribution policies, the deliberate creation of new cities (Brazilia, Guayana City) is clearly an exception in so far as most spatial redistributions of population take place among already existing urban centers and will surely continue to do so on the basis of what was mentioned above as the trends of the urbanization process in the region. At any rate new growth poles programs "presupposes an act of political will, capable of being supported by a massive allocation

36/ All quotes in this paragraph are from Stöhr, op.cit.pp.110 and 111.



of resources towards the region that is targeted for development" 37/.

c) Dealing with social integration problems: Community development programs in Latin America.

As we saw previously, two of the most important implications of regional development programs for policy-making processes bear upon decentralization of decisions and the enhancement of some autonomy at the regional unit level. Conceptions of development that were inspiring many of the social development policies at the local level in recent years, put a considerable emphasis on what came to be called community development programs. The rationale of these programs was clearly linked to the implications mentioned above, particularly the reinforcement or inducement of some capacities for autonomy that were supposed to exist in the local communities. In general terms the seemingly common goal of recent community development programs was the attainment of popular participation in the development process.

37/ Di Filippo, Armando, Desarrollo y Políticas redistributivas de población, PISPAL, Central Unit, Working Papers Series Nº 2, Santiago, April 1975, p.58. Most of existing growth pole projects are based on already existing towns, such as Monterrey in Mexico; multinational projects in the Gulf of Honduras (Honduras-Guatemala), in the Gulf of Fonseca (El Salvador-Honduras-Nicaragua), and in Rio San Juan de Costa Rica (Nicaragua-Costa Rica); Reconcavo de Bahia (Brazil) and Concepción (Chile) See Stöhr, page 111 and Table Nº 1.

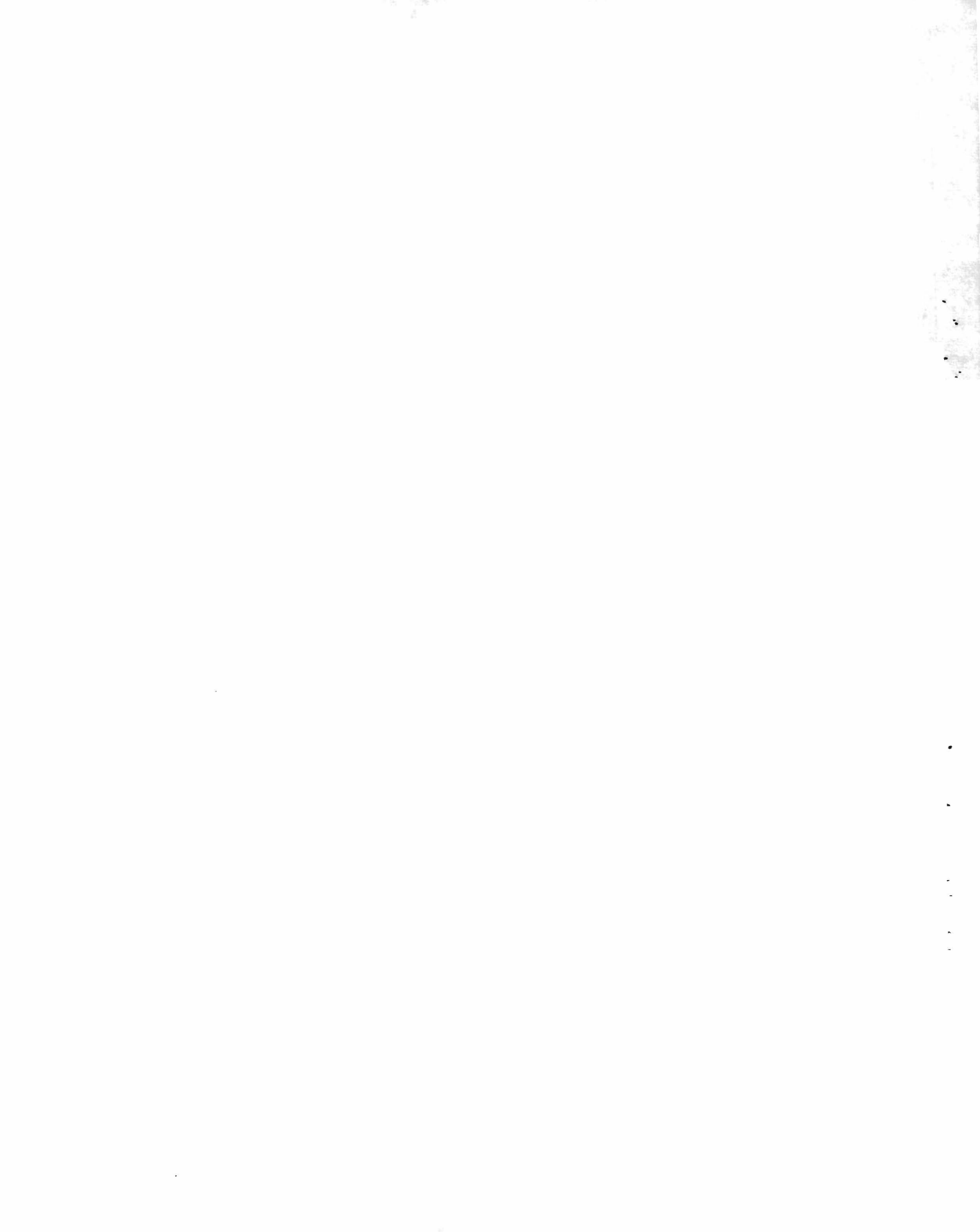


A study prepared by ECLA 38/ classifies community development programs in three major types: i) programs comprising various substantive activities undertaken by a sectoral agency; ii) programs which include a larger number of activities carried out by a supra-sectoral agency having multiple-ends; iii) joint action programs comprising many activities carried out simultaneously by a variety of agencies which may include some of the former categories of programs.

The first kind of programs (sectoral), tend to proliferate in those countries where government ministries have been traditionally autarchical. Examples of these sectoral programs are agricultural extension, basic education, local health, housing and development of co-operatives.

The second category refer to "integral programs" which normally demand active participation of public or semi-public corporations already in existence or, in most cases, require the setting-up of new, specialized agencies which are responsible for the carrying out of the integral programs. Typical examples of these, are agrarian reform, rural development and integration and settlement of ethnic populations.

38/ ECLA "Tendencias del desarrollo de la comunidad en América Latina del Sur", Chapter III in United Nations, Department of Economic and Social Affairs, Participación popular en el desarrollo: nuevas tendencias del desarrollo de la comunidad, ST/SCA/106, New York, 1972.



Lastly, joint action programs belonging to the third category require a permanent and coordinated frame of relationships among a variety of institutions and agencies of different nature (public and semi-public agencies and private organizations as well).

The ECLA study could identify 110 community development programs in Latin America including at least one in each of the 23 countries that were surveyed. 51 of these programs fell into the sectoral type; 42 belonged to the integral program category and only 17 could be classified as joint action programs.

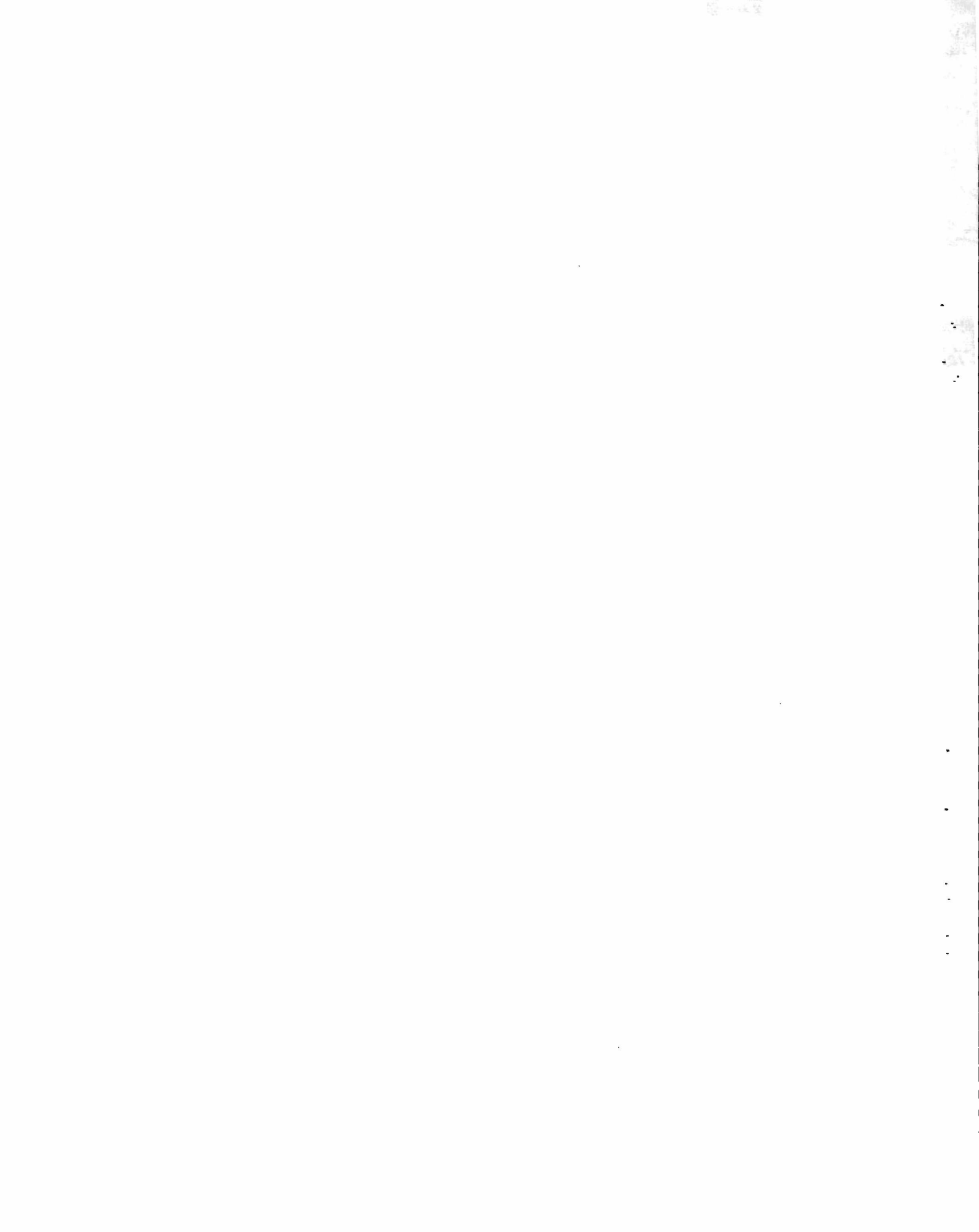
The analysis of these programs shows in the first place, that they make-up a very heterogeneous set as regards the specific contents of each program and their territorial distribution as well. They are being carried out in rural and urban areas; all sorts of agencies and organizations take part in their implementation, and their legal-institutional framework is highly variable (Presidential decrees, parliamentary bills, ministerial decrees, agency resolutions or administrative decisions can be found in the legal foundations of these programs).

Secondly, community development programs seem to be in almost constant reorganization both in terms of changes in their

contents (new activities are added to them while others are dropped out from their original contents) and in terms of operational changes in their administrative execution or control. Approximately half of the number of programs identified in the study in reference have been created, modified or reorganized since 1963 39/.

Thirdly, community development programs tend to be predominantly oriented to rural areas, but they have a limited effect on dispersed rural population in so far as technical services or assistance only rarely get at regions having this kind of population settlement. The study made by ECLA found a consistent dichotomy between rural and urban programs: organizations and agencies which are active in one of these spheres only exceptionally are willing to move into the other in spite of the fact that most of them are constantly trying to broaden up the substantive or interdisciplinary scope of their tasks. Urban programs are concentrated in housing and urbanization, and tend to originate and be maintained as sectoral programs carried out through current social services which are relatively well endowed only in major cities. Smaller cities tend to be neglected although many of them have similar problems of agglomeration and poverty as the larger urban centers.

39/ Ibid. pp. 168-171.



Lastly, the administration and planning of these programs remains highly centralized. Nevertheless, National planning has had very little effect on the functional coordination between ministries at the central government level and agencies in charge of multisectoral activities at the local level 40/.

Looking into the prospects of community development programs, the study in reference sustains that "in Latin America National, autonomous, multisectoral agencies will tend to loose importance in the coming years. The contrary will occur in relation to combined systems of broad regional and sectoral activities. At present it is difficult to see how the existing urban-rural dichotomy could be solved. Available information, however, clearly shows that governments are not giving enough attention to development programs for urban communities" 41/.

40/ Venezuela is an exception to this pattern.
See *ibid*, p. 172.

41/ *Ibid*, p. 177.



III - Identifying levels of State intervention.

a) Types and problems of State intervention in Latin America.

For the purposes of our analysis it would be useful to distinguish levels of State intervention which can shed some light into the capacities of the State for engaging in certain kinds of policy-making. A first primary level is related to overall regulations to financial flows in the national economy. Two aspects are involved here. The first one is referred to the handling of fiscal affairs, that is, to the capacity of the State to secure regularly and on a continuous basis, the current flows of its own monetary revenues. The second aspect is related to the capacity of the State to provide the institutional framework of economic transactions mainly through the management of currency. These two aspects are, in a sense, a classical field of State intervention in monetary economies. In fact, the development of State bureaucracies since the initial phases of nation-state formation takes place precisely in this field. In the Latin American case, undoubtedly the transition from open to closed economies was the key process through which this bureaucratic growth occurred. The closing of the national economies began as a protectionist move as early as the late XIX century and first decades of the present century in some cases such as Argentina and Chile. Closure of the national economy was certainly

reinforced as a side effect of the Great Depression which had a critical impact on the viability of most of the national economies in the region 42/. As a consequence of this generalized impact there was an important shift in the movement from open to closed economies characterized by an increasing reliance on import substitution as the key policy to attain a sustained inward economic growth capable of strengthening the capacity for "autonomous" development. Towards the middle of the 1950's, this policy had been extensively applied throughout the region, to the point when most of the countries in which industrialization had begun earlier, were already facing the problems of the difficult import substitution phase 43/. It should be remembered that about the same time, planning became formally institutionalized in practically all countries in Latin America, as we have seen in a previous section of this paper.

As this inward growth policy developed, considerable progress was made in that area of the public bureaucracy responsible for carrying out the fiscal administration of the State. Modernization of the internal tax system, which meant

42/ The magnitude of this impact in countries like Mexico, Brazil, Argentina, Chile is thoroughly examined in ECLA "Estudio Económico de América Latina".

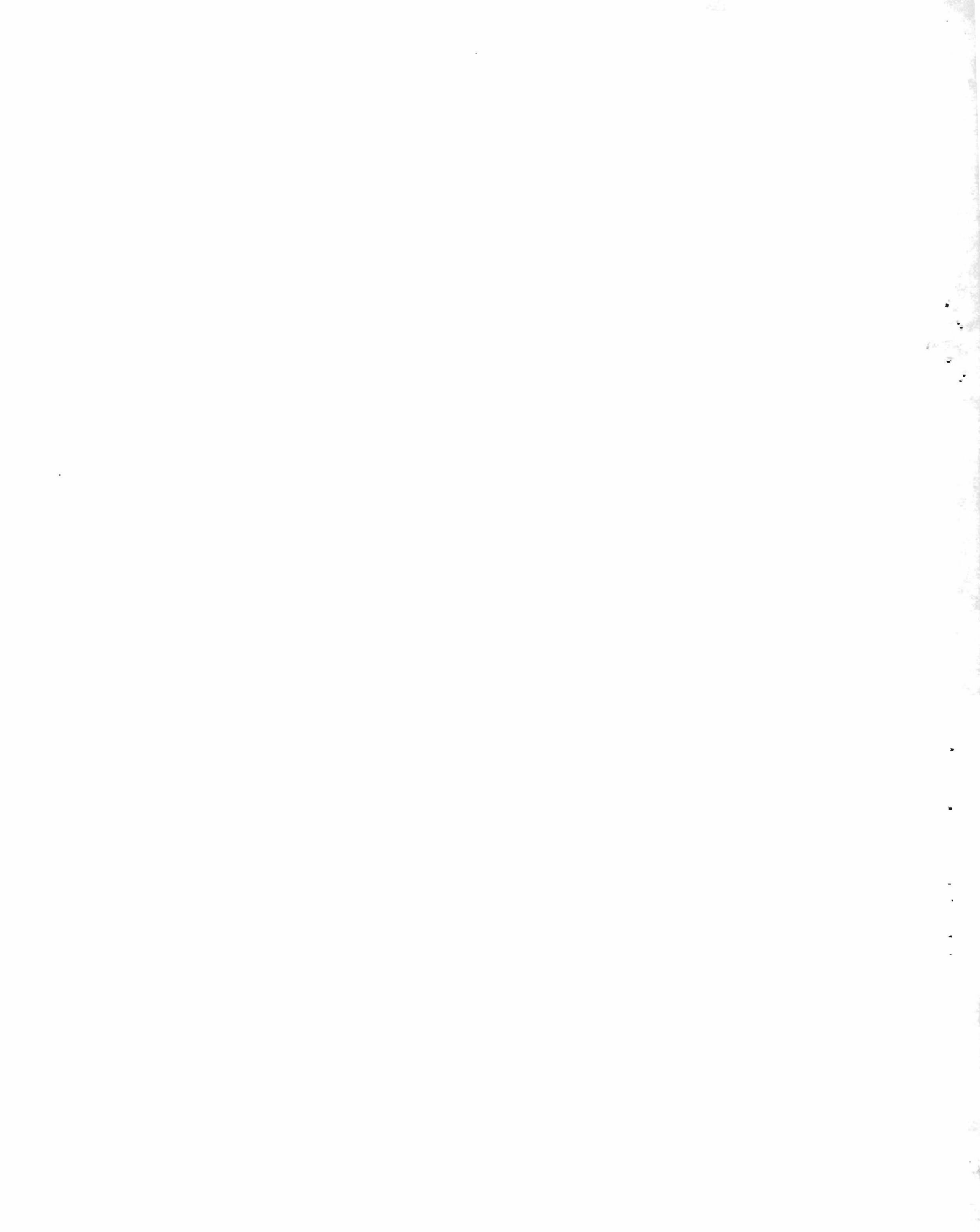
43/ An excellent analysis of the transition from open to closed economies in a model of import substitution can be found in Sears, Dudley, "The Stages of Economic Development of a Primary Producer in the middle of the XX Century", Economic Bulletin of Ghana Vol.III NO 4, 1963.



both a diversification of taxation and improvement of controls, greatly increased the rationalization of fiscal revenues and budgets and the reliability of internal revenue flows. At the same time, there was a consistent move to both State regulation of exchange rates and the creation of a public financial structure through the creation of Central Banks and to some degree, State banking systems.

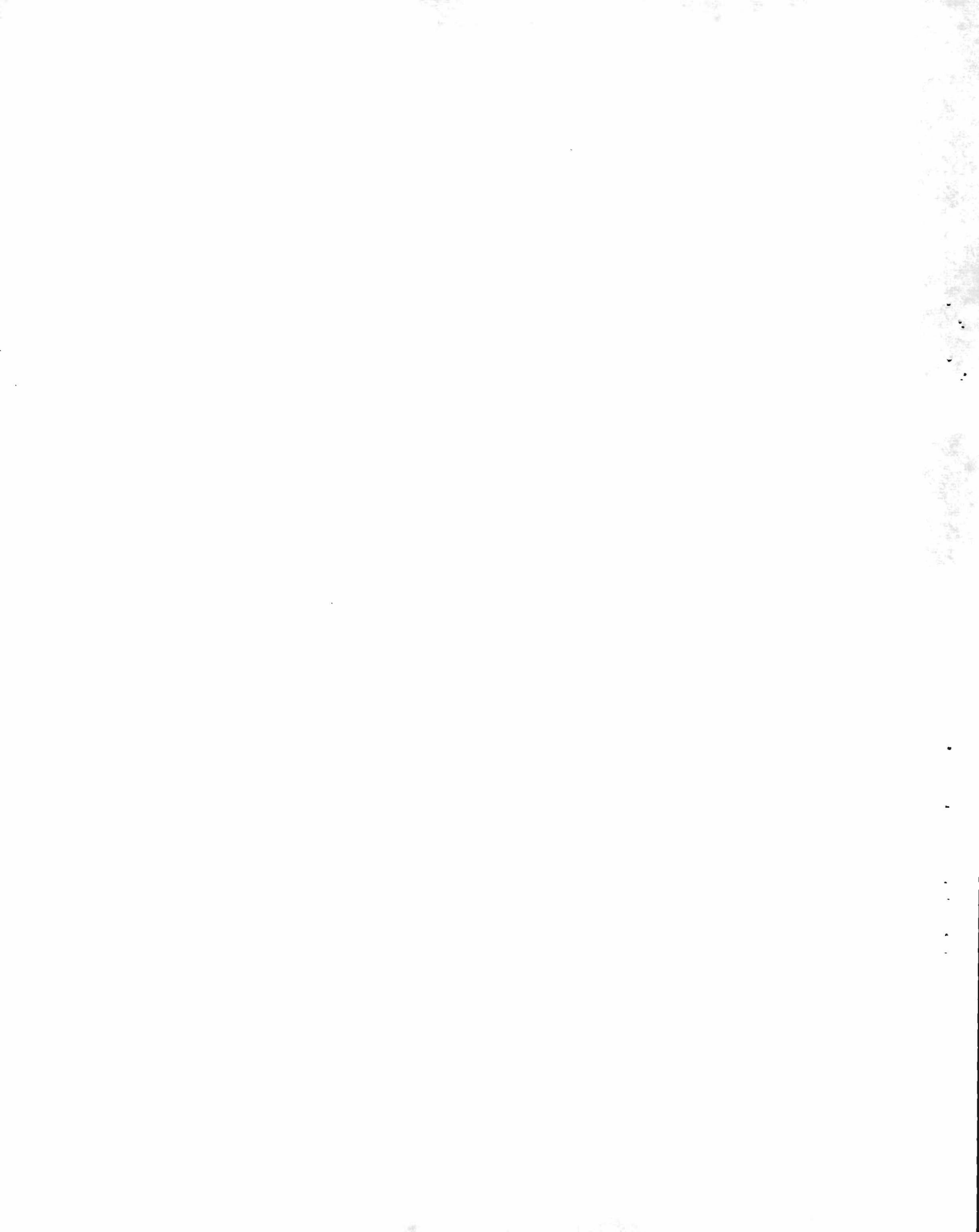
The processes which have been summarily described above led to a strong reaffirmation of the policy capacity of the State in what we have identified as a primary level of State intervention. This is, though, a basically regulatory level in which the time perspective of policy is almost exclusively referred to the short run.

A second level of State intervention can also be distinguished. It is mainly concerned with that broad field of public action which is intended to correct ex-post the distributions of goods, services and opportunities which are the outcome of social and economic structures. In a broad sense we are referring to welfare policies and programs which have been typically carried out by agencies in charge of public services (education, housing, social security and public health, as traditional "social" sectors of public action should be included here). All of these are, in a way, redistributive



policies of a compensatory nature intended to correct the overall, "final" profiles of real income distributions. This broad field of State intervention should be counted as one of the major sources of bureaucratic growth in most of Latin American countries.

The growth of the State in this regard can be understood as a result of two interrelated processes deeply embedded in the socio political development of Latin American countries. On the one hand economic modernization carried out mainly through industrialization and a sustained expansion of commercial activities in the tertiary sector, and urbanization with massive transfers of rural population to cities, have meant in most cases a considerable diversification and intensification of social and political demands. To many analysts this dynamics lies at the base of that remarkable feature of State formation in Latin America which has been summarized under the concept of populism. Consistently, these demands found its way to the very core of the State through political mobilization. The mobilizing process reinforced political party structures mostly in countries where the welfare state had been a relatively early development. When this was not the case, mobilization tended to supersede party structures and was somehow channeled by more or less diffused political and social movements. In that changing context of political forces and pressures, the historical response of the State was to expand services in those areas which were highly sensitive to social demand creation.



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In general terms, education, social security, health and housing, almost in that same order, were assumed as major platforms of social reforms for the "democratization" of the social order.

Together with this demand-creation process the persistent move towards highly centralized state bureaucracies, as we have briefly examined in previous sections of this paper, accelerated the political convergence of demands on the central governments. Probably this second process could be counted on as a major underlying factor in another, similarly remarkable feature of State formation in the region, namely "clientelism".

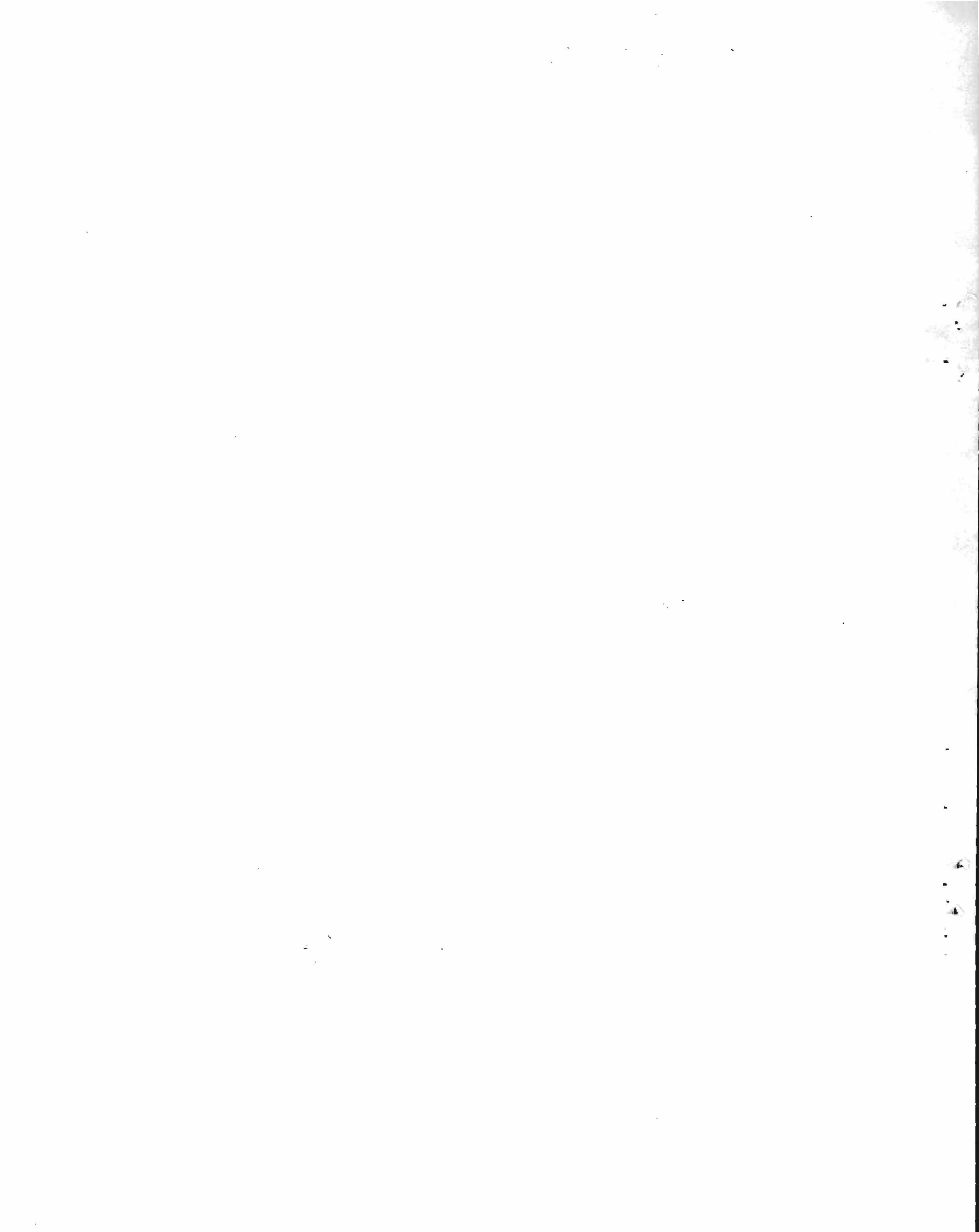
Clearly enough the combined dynamics described above put a great stress on consensual politics, increased the level and multiplied the sources of conflict. Nevertheless the welfare "response" of the State in terms of quantitative bureaucratic expansion of basic social services, was, on the whole, a viable way of dealing with such a complex socio-political processes. Viable means here at least two things: i) a response that was politically feasible, and ii) a welfare development that has somehow improved the overall magnitudes of social and economic indicators for most countries in the region over the last decades.

In those terms, why was the welfare response a seemingly viable development from the view point of the State? Surely



enough this is a fairly difficult question and we will not even attempt to answer it now. For our purposes it would suffice to note that such a response deals in effect, with an area (or level) of State intervention in distributive profiles which are outcomes of both the general functioning of the economy and the patterns of mobility prevailing in the social stratification system. It is, on the whole, a compensatory State intervention which could very well be characterized as an easy substitution of market mechanisms. At this level of State intervention, (easy, compensatory substitution of the market) we find in Latin America, a public sector which has reached relatively acceptable degrees of policy capacities in historical perspective.

There is still a third level of State intervention we should take into account. It is concerned with the role of State in relation to the determinants of the social and economic distributions of resources, goods, services and opportunities. This level encompasses policies which are definitely "structural" in the sense that they are intended to alter ex-ante the outcomes of the social and economic structure. As such, we would not hesitate in referring to this third type of State intervention as the "difficult substitution of market mechanisms".

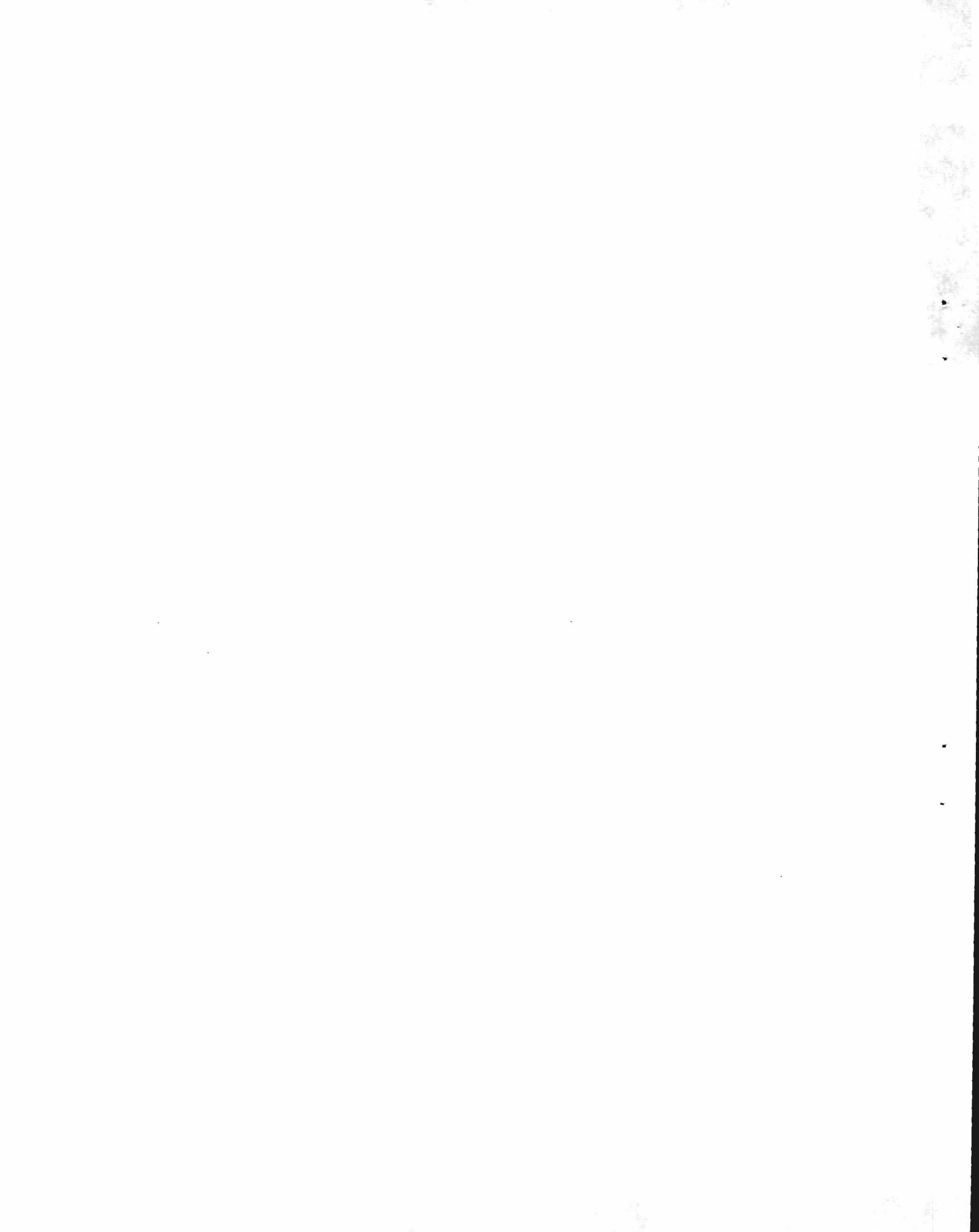


Difficulties inherent to the third level of State intervention, are related to the fact that, at this level, what is involved is not the ex-post correction of social and economic distribution but an attempt to alter them ex-ante. Policies that could be formulated at this level sooner or later will have to deal with the origins of such distributions, therefore, the contents of these third-level policies, will be concerned primarily with known or assumed causes of "undesirable" distributions rather than their effects. In that sense this intervention of the State will typically imply policies which could be properly called "structural" policies. Structural policies, as a norm, will always interfere with all or some of the market mechanisms such as: a) the price system, including the rate of interest and the wage rates; b) the rate and allocation of investment both sectorally and regionally; c) the aggregate supply and demand functions. Highly complex problems of political viability will emerge in relation with State-induced substitution of market mechanisms such as the above. All structural policies are always problematic in such respect, whatever the overall strategy of development in which they are embedded. Development strategies can be understood in that line of thought as designs for a redistribution of power. The conflict load of policies and strategies through which the State moves towards the difficult substitution level, cannot be assessed, much less predicted a priori, and should be treated, therefore as a crucial practical question to be addressed to concrete political regimes.

In all these levels of State intervention planning is both a technical tool and a political process. Planning is, then, a crucial resource and, at the same time, a major indicator of the ways in which the State can mobilize its policy capacities in a given direction.

At the primary level of State intervention, that is the "classical" public action field of fiscal policy, we would say that there have been important processes of bureaucratic modernization in budgetary planning throughout the region. As a consequence, the short-run policy making capacity of the State as regards fiscal accounts, has been clearly enhanced in the last decades. A great deal of attention is being given at present, to the potential utilization of annual operative plans (budgetary planning) for building up, in a step-by-step approach, a cumulative sort of long-range planning. Furthermore, a common feature of development planning in Latin America seems to be the absence of proper articulation between global, long-term plans and budgetary planning; between the overall guidance to a given set of goals somewhere in the future and the rutinary fiscal management of the State which is supposed to be the guide of the development process. On that basis, it looks as if the State could take some advantage from its relatively low capacity for long-range sustained planning.

The picture looks somewhat different at the second level of State intervention (the easy substitution of market mechanisms). As we saw this level is primarily concerned with the expansion of social services in the general context of the welfare State development. In particular such a growth of services applies to: a) a relatively sustained increase in educational enrollment; b) an extension of social security coverage; c) a progressive involvement of the State in public initiatives for the provision of low and medium-income housing, d) a sustained growth of public health services.



These processes in Latin America, illustrate to some extent, the dynamics of the "centralization trap" we have described earlier in this paper. In most countries in the region, the so called social sectors (education, social security, housing and health) have been focuses on which there is increasing convergence of social demands for State intervention. Traditionally and obviously the response of the State has been to intervene, assuming direct responsibilities for the provision of such services setting up some combination of State-run nation-wide services, and State-controlled systems with overall regulatory power over private and semi public organizations rendering some of these services to some specific population groups. In any case this has always been a strong feature of centralization in the ways in which the State has moved into welfare corrections of social and economic distributions of opportunities. This should not be surprising. On the contrary, it is a logical consequence of the high degree of political centralization in the structuring of the Latin American States.

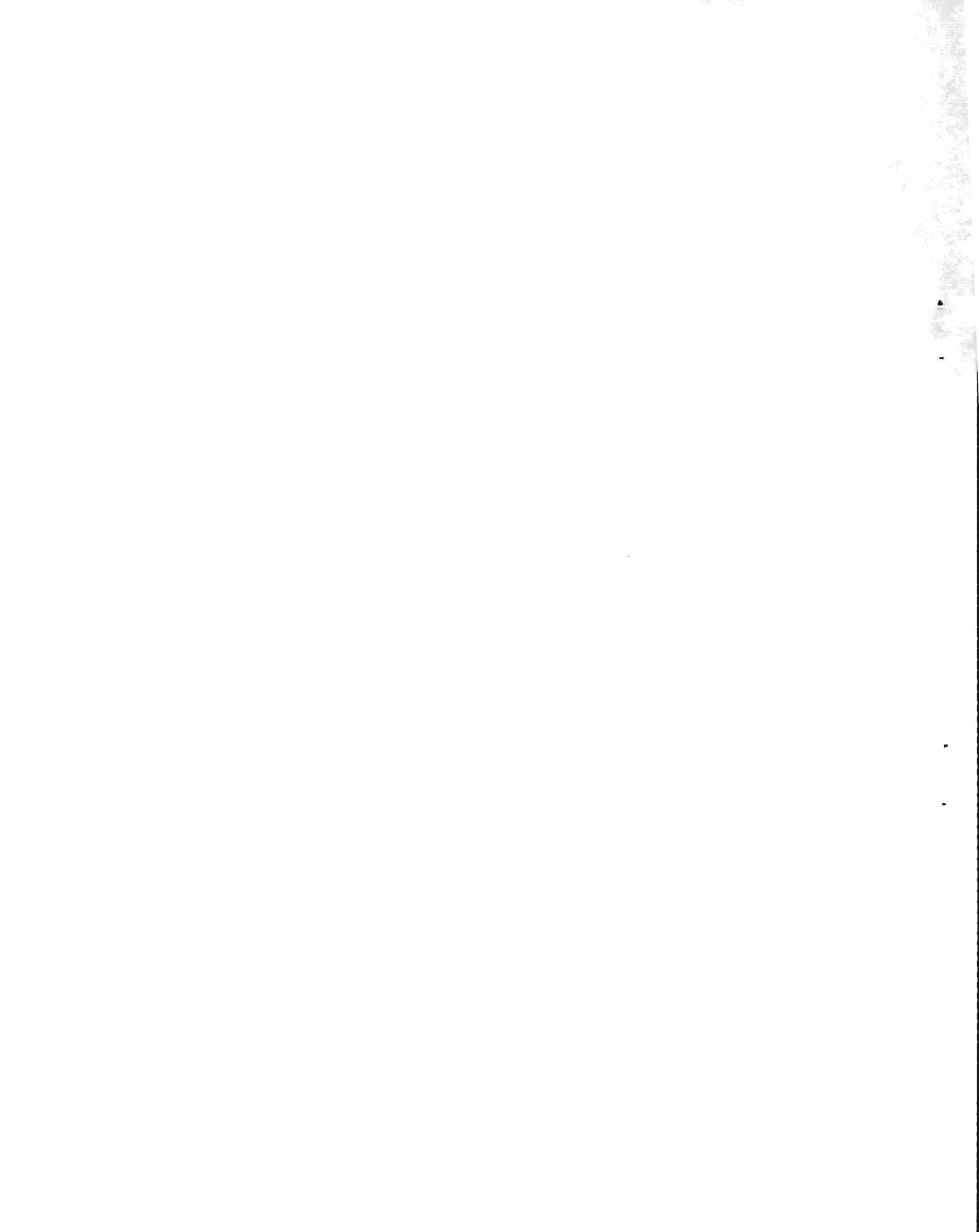
Actually, saturation seems to be the most salient characteristic of State capacity as regards welfare policies in Latin America. Saturation at least in two aspects: the size of the public bureaucracy required for the management of public services, and the allocation of resources. Historically the bureaucratic growth of the State in Latin America has been rightly considered as a result of the general expansion of the welfare State. This process has had a direct relationship with the trend towards tertiarization of employment in so far as the State has emerged as a major employer in the tertiary sector. A substantial proportion of this kind of employment supply (namely in the public sector at large), seems to be located in the social services, particularly in education,



social security and health, as compared with public utilities and financial services. It would seem that the size of State bureaucracy and the incidence of remuneration outlays in current public expenditure as well, have reached a "rigidity level" beyond which additional increments in public employment supply would be negligible.

As far as resources are concerned, it would also seem that aggregate public expenditure in the "social sectors" has reached such a level that additional increments in the proportion of public resources allocated to "social sector" investment would similarly be negligible. It would have been necessary to explore in depth some of the available national accounts information on this aspect of public social investment in this occasion. Unfortunately most of the data that can be obtained from such sources is highly aggregated so that it is practically impossible to go beyond the crude categorization of capital and current expenditure (the latter being mainly remunerations) for approaching the sort of analysis of "rigidity levels" we are proposing here. Different sources of data should have been examined but it was not possible in this opportunity.

To the extent that such a rigidity level hypothesis could be supported by sound empirical series of data, what should be examined as a policy alternative is the viability of changes in the structure of priorities within the social sectors. The policy assumptions in that respect would be a) that overall public social investment cannot be significantly increased in each sector, and b) that major transfers of public expenditure among the social sectors could not be expected either. The first assumption is compatible with an

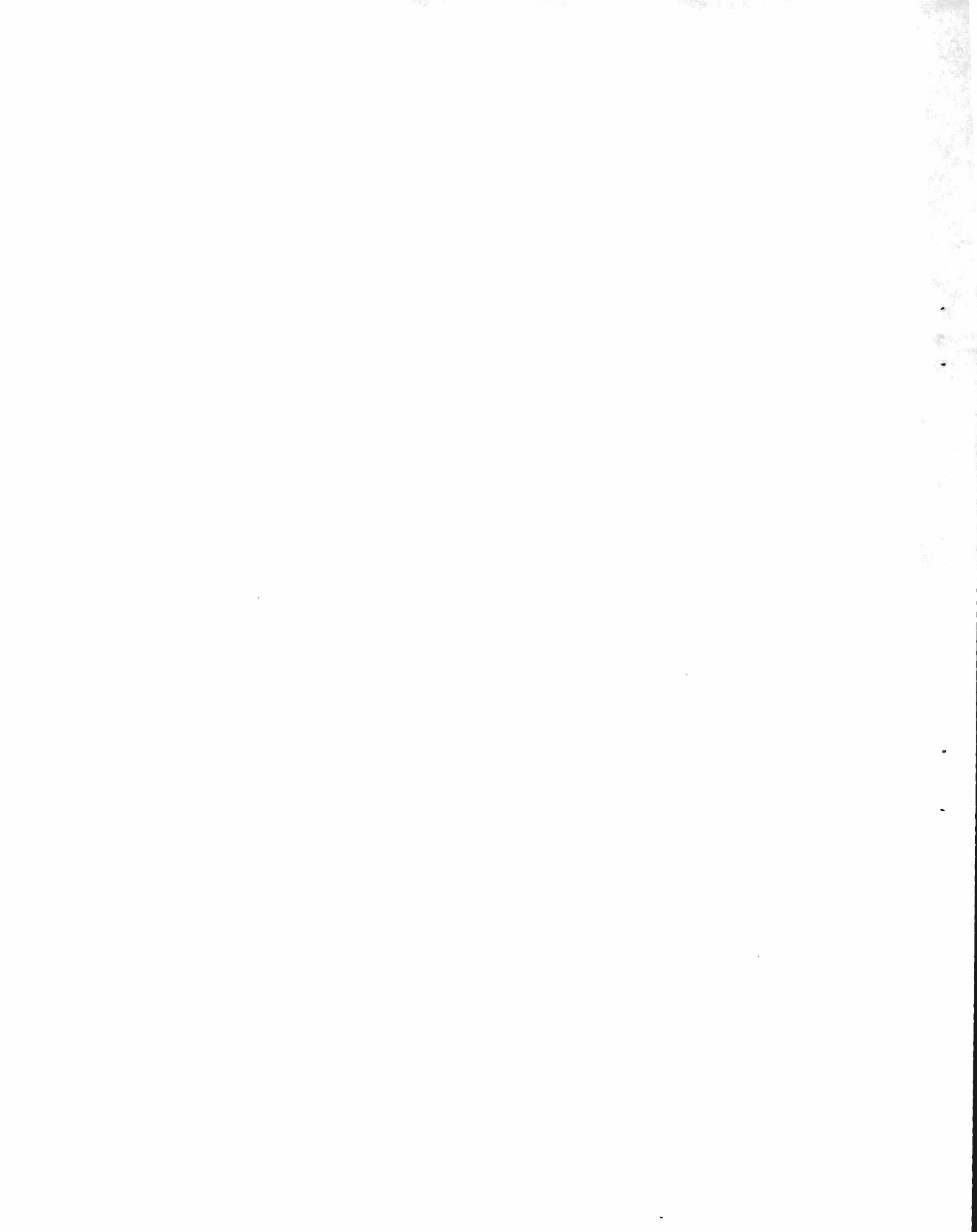


upward rigidity hypothesis in the social investment level as a whole; the second one implies downward rigidity in each sector, further assuming that the pressure of social demands in each sector do not allow the State to disengage funds from one social sector that could otherwise be transferred to some other sector.

In short, it would appear that there is some room for effective policy capacity at the disposal of the State in this second level of intervention, only through some restructuring of priorities that would redistribute expenditure inside each sector (e.g. favoring basic or primary education expenditure against university education; or, always in the education sector, favoring non-university training in intermediate skills against traditional university careers).

With respect to what we have called the "difficult substitution" level of State intervention, we are led to think that the policy capacity of the State to sustain structural policies in the long and medium range could be put into question in much more radical terms. To some extent there seems to be a kind of consensus in the diagnosis of the so called "crisis of planning", that could shed some light on this matter. The various experiences of long-range, global development plans that have been somehow institutionalized in Latin America in the last 10 to 15 years, point to some conditions that should be met in order to really increase the State capacity for long-range policy making.

We can only briefly mention here some of these conditions: a) the need for planning as a continuous State activity which would mean a shift of emphasis, in the sense of playing down the importance of "the Plan" and enhancing, at the same time, the relevance of the "planning process"; b) a second condition



is the need for planning activities to become socially and also spatially diffused in the polity and society as a whole, c) thirdly, there should be a substantial improvement of coherence in the coordination of different types of planning, namely the coordination of planning which deals with problems of structural heterogeneity (e.g. regional planning) with that which deals with social integration problems (e.g. community development planning in the broad sense we have given the term in this paper).^{44/}

In short, it appears that the heart of the "crisis of planning" is invariably linked to the problems of the "centralization trap" and the "rigidity levels" that seem to go hand in hand with the processes of State formation in Latin America. Unless these policy realities are recognized and their hidden potentialities thoroughly examined in the framework of a State-centered policy analysis, it looks as if no meaningful step to arrive at viable public policy alternatives could be reasonably expected.

b) Population policies in the context of State intervention.

In the previous section we have examined some general aspects related to levels of State intervention and to some problems of policy capacity that would be characteristically associated with the levels of State intervention. In doing that we have come up with a rough outline of the context of State intervention when the latter is viewed primarily in terms of policy capacities. It is time now to introduce in such a context some additional elaborations specifically related to population policies.

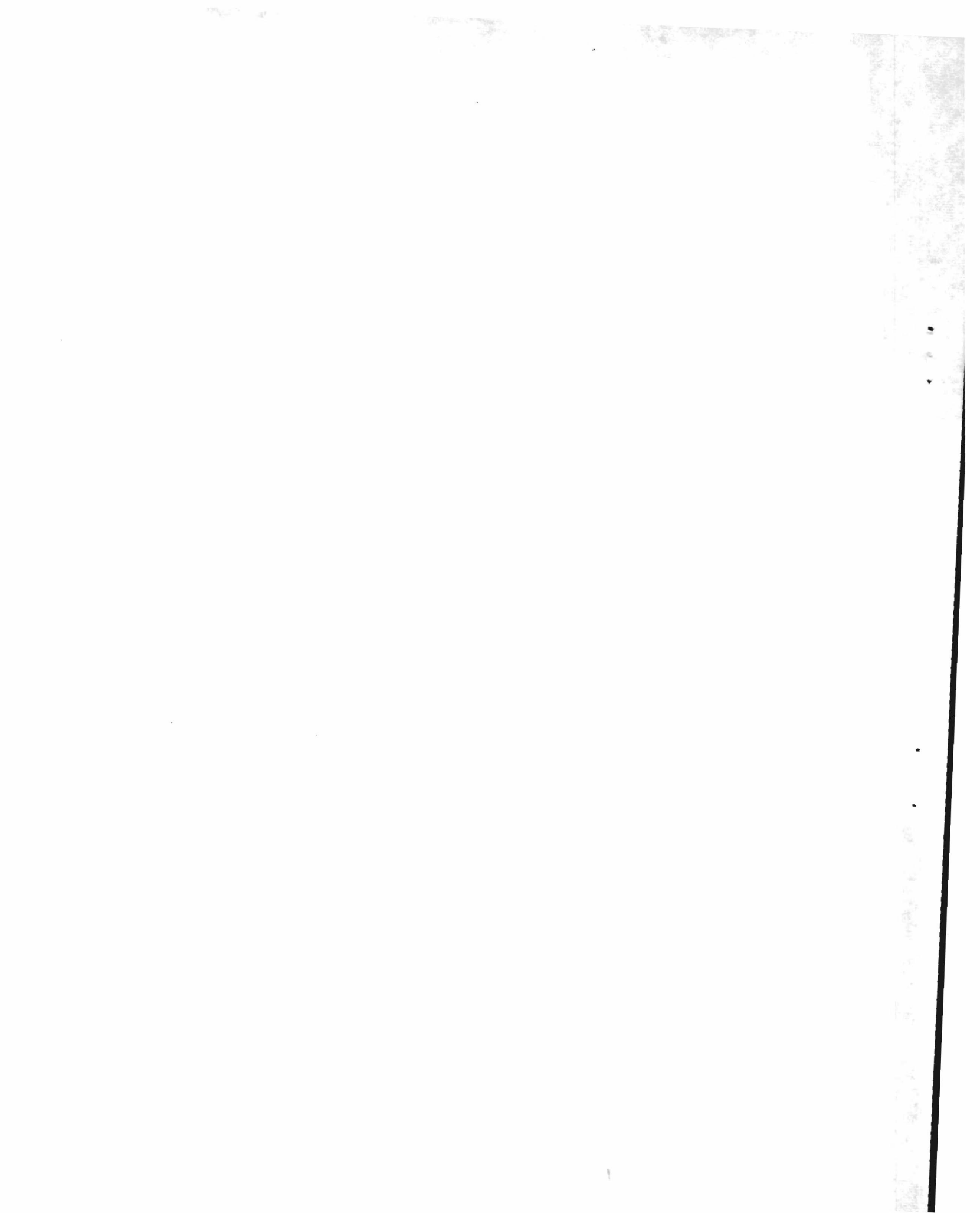
^{44/} For a detailed exposition of these and other conditions for effective planning, see, United Nations, ECOSOL, Report on a unified approach to development analysis and planning, E/CN.5/477, October, 1972, particularly chapter III, pp. 83-106.



What we are saying, in other words, is that the general question we raised at the beginning of Section II in this paper, bringing into the fore the policy implications of Hiro's well-known article on population policies, will not be answered unless we are in a position to grasp the real picture of the State as an active entity in concrete societies. In our view, the right way to face population "problems" and policies in developing societies is to emphasize the relativity of these terms when they are situated in the broad frame of interrelations between population dynamics and development. We will only mention this point here, just to indicate the general perspective upon which the following remarks are to be understood.

It seems to us that in this perspective and having in mind our outline of State intervention levels, there would be two major "models" relevant for population policies.

In the first place there would be a model dealing with population dynamics as changes in the demographic system which vary according to changes in the distributions of economic and social opportunities. A policy induced change would require in this model, at least the following inputs: i) a basis of knowledge allowing for the identification of specific causal relationships between types of opportunities (e.g. "social differentials in a broad sense), and their distributions and changes in the demographic system of concrete societies; ii) an analysis of policy induced changes in such distributions in terms of key policy intervening variables which would lead to specific changes in the demographic system; iii) a precise assessment of policy capacities examined in the real context of State resources and demands.

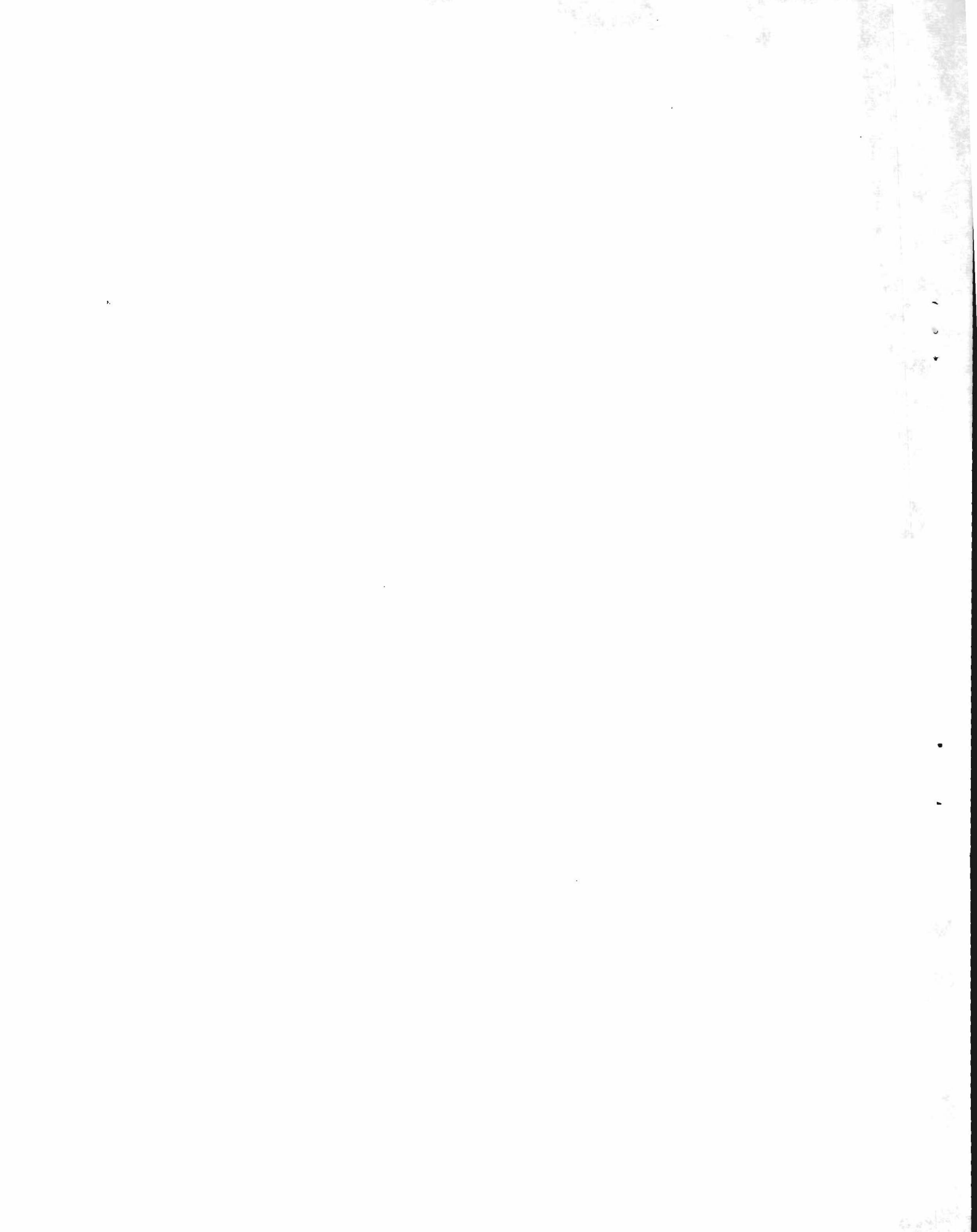


A second model could also be suggested. In this case population dynamics would not be dealt with as a consequence of "final" social and economic distributions, but as effects or concomitant variations of changes in the determinants of such distributions. The kind of knowledge which would be required in this case should be targeted on structural changes involving broader and more varied socio-demographic groups.

The first "model" would typically lead to "distributional" population policies falling into that area of State intervention which we have called the "easy substitution of market mechanisms". Compensatory ex-post corrections of certain social and economic distributions of opportunities would be thought of as policy variables for inducing changes in the demographic system. The second "model" would lead to "structural" population policies which would be included into the "difficult substitution market mechanisms" area of State intervention.

Both "models" should be examined as open models in which the dynamics of centralization and rigidity in processes of State formation should be included. We have suggested that in the Latin American context such an inclusion should take into account the "centralization trap" and the "rigidity level" hypotheses as described above.

If this sort of analysis is done in relation to population policies, we would probably find some viable answers to the general question raised at the beginning of this paper; namely how to link population policies to planning and to socio-economic development strategies.

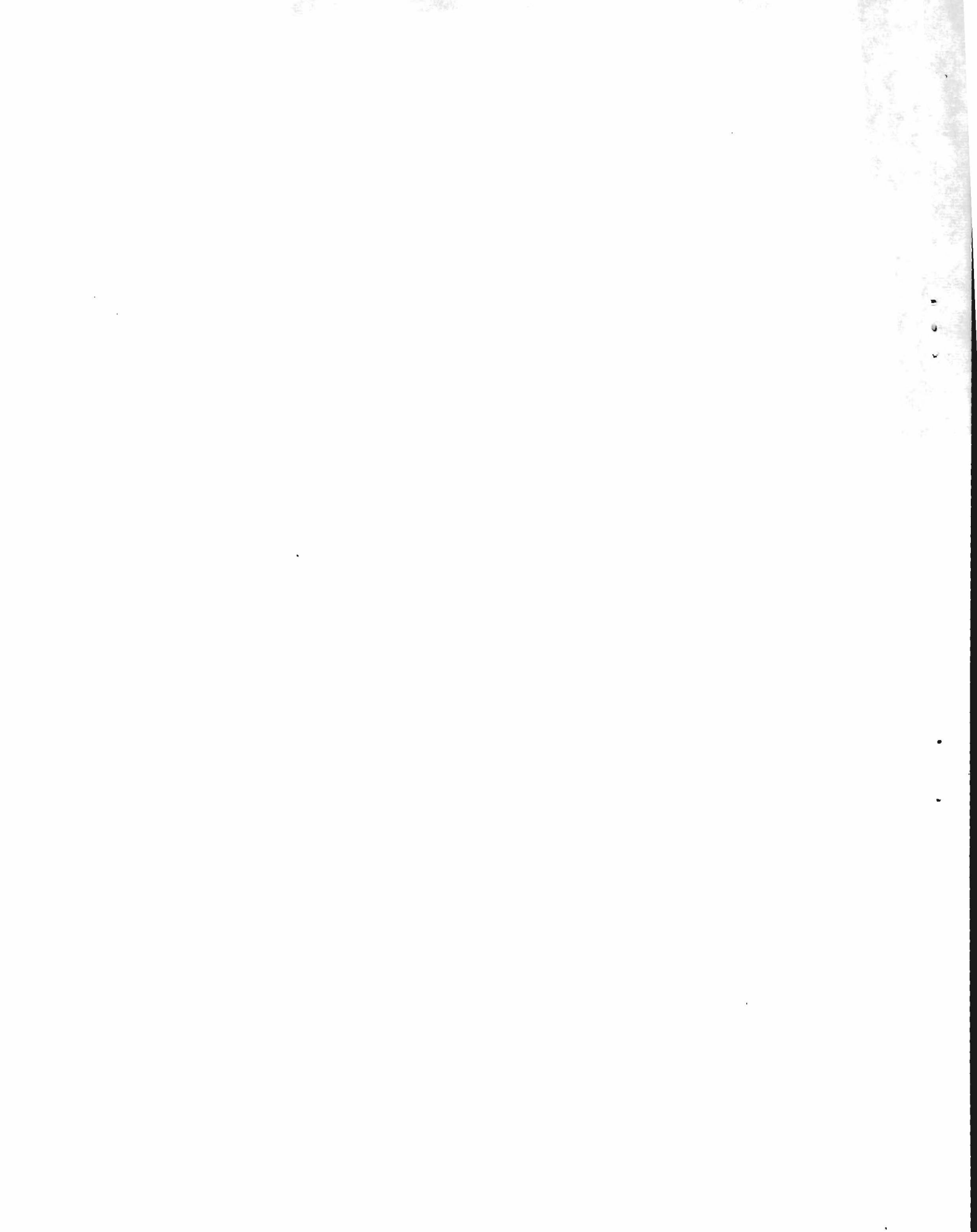


V. Final comments: increasing the policy
relevance of population research

Once and again in this paper we have emphasized the need for a State-centered analysis. We have just pointed to some of its elements and guidelines, but unfortunately, there is no tested model for a research design which would certainly lead to a State-centered analysis of population policy capacities. Needless to say, we are convinced that one of the first requirements to be fulfilled in order to increase the policy relevance of population research would be a shift of emphasis towards such kind of analysis.

Lacking an operationally tested model for a State-centered population research, we could move forward in that direction however if some conditions are met. To start with, there is the obvious need to stimulate research which could identify "key" variables both inside and outside the demographic system, and convert those variables into policy alternatives. The assumption underlying the desired sequence from key variables to policy alternatives is that there would be possible to estimate some kind of policy elasticities for different combinations of demographic variables, in different geographic contexts and time dimensions.

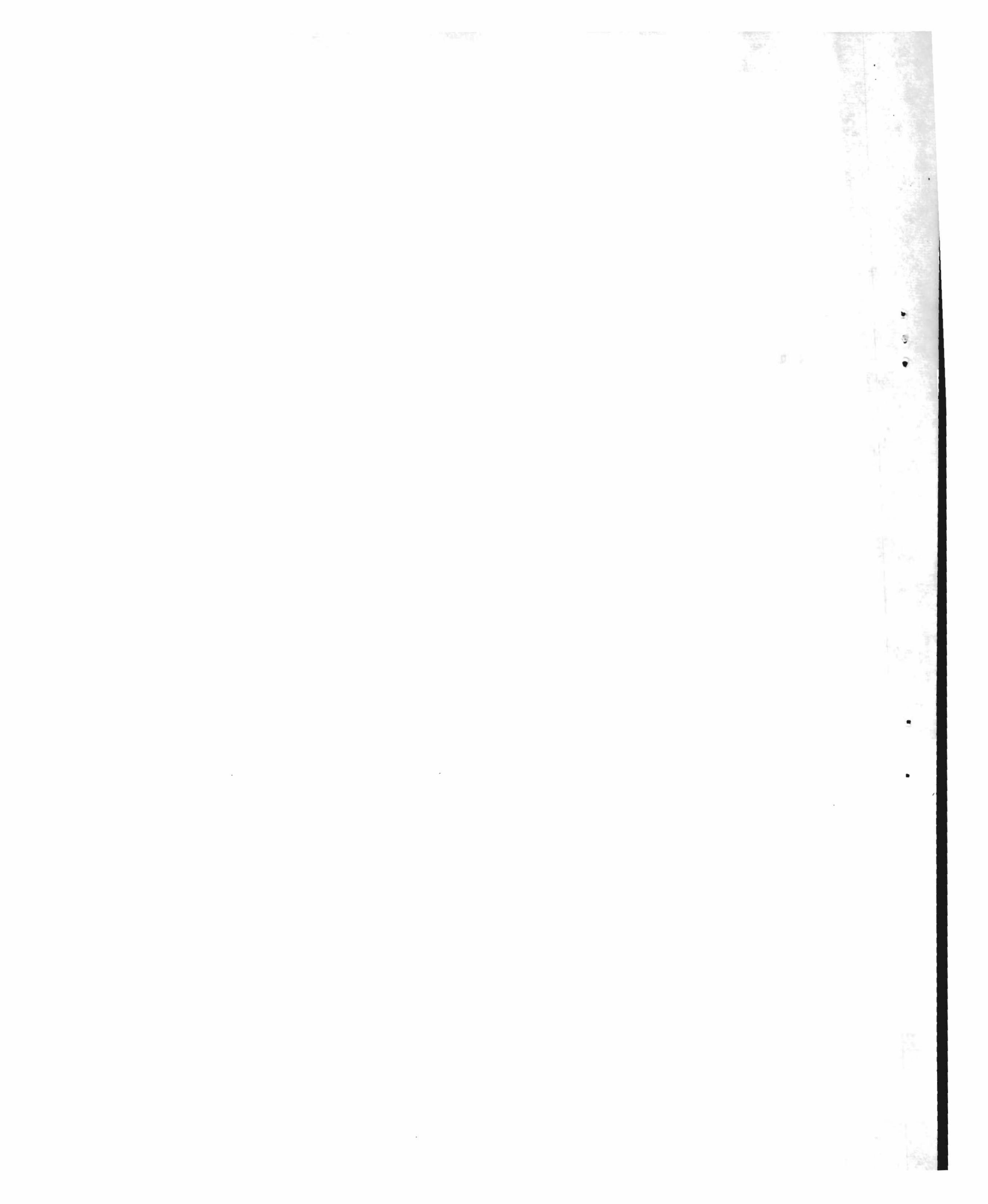
The need for policy relevance as stated above is being increasingly stressed in the field of population-development research. In the limited scope of this paper we cannot examine all the implications of this general proposition. However, we could attempt to summarize some of the implications that follow from our exploration of State policy capacities in the Latin American context.



In that perspective we would suggest that population research could increase its policy relevance if levels of State intervention are treated as intervening factors in the movement of the demographic system.

Apparently the most strategic intervention levels are those dealing with distributional and structural policies. In principle, we are somehow skeptical with respect to that "classical" level of State intervention concerned with the routine short-run management of public resources. It is difficult indeed, to hypothesize policy-induced changes in the demographic system originating in short-run variations of State action at this level. However, we could not dismiss this relationship in so far as short-run, operative plans belonging to this level could be linked to other levels of State intervention.

At the "easy substitution" level, on the contrary, it looks as if there is a broader range of policy problems that could be included in population research. Generally speaking, there should be a strengthening of research dealing with estimation of policy elasticities in each sector of public social investment. In our judgement, the criteria for research in that respect are: i) policy elasticities should be estimated in different combinations of priorities in each social sector for it would be unrealistic to assume indefinite expansion of social investment; ii) estimation of policy elasticities should take into account regional coverage of public services up to a certain point, for it would be unrealistic to assume unlimited capacity for decentralization in public action.



At the "difficult substitution" level of State intervention, there is also a relatively broad range of policy problems that could be considered in population research. In the first place it should be mentioned that research for the analysis of integral regional structures (economic, social and demographic regionalization of national systems) is crucially important. We would suggest however that regional (or "regionalized") research may tend to forget the dynamics of centralization which seems a recurrent feature in the Latin American scene. As we understand it integral regional research would include regionalization of the political structure. In doing so, we would stress that policy "problems" in Latin America are only rarely treated as "regional" problems from the viewpoint of State intervention. In other words, what we are saying is that integral regional research is needed, provided there is a realistic assessment of the dynamics of centralization that firmly binds together the regions in the structure of the State.

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