

# CEPAL

## Review

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#### Notes and explanation of symbols

The following symbols are used in tables in the *Review*:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise specified.

A point (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.

Use of a hyphen (-) between years, e.g., 1971-1973, indicates reference to the complete number of calendar years involved, including the beginning and end years.

Reference to "tons" mean metric tons, and to "dollars", United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual rates of growth or variation signify compound annual rates.

Individual figures and percentages in tables do not necessarily add up to corresponding totals, because of rounding.

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# C E P A L

## Review

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# ECLAC: forty years of continuity with change

*Gert Rosenthal\**

Before all else, I would like to express our heartfelt appreciation to the government and people of Brazil for welcoming us to this beautiful and hospitable city. It has been 35 years since our highest intergovernmental forum last met here, but in no way does this mean that ECLAC has been foreign to the Brazilian experience. On the contrary, it has been our privilege to follow the evolution of the Brazilian economy with the greatest interest, particularly through the ECLAC office which has been functioning in this country since 1968 with the support of the government. Brazil, a melting pot of the most varied historical legacies, has enormously enriched our store of knowledge by, for example, pointing the way to a form of industrialization oriented towards world trade flows.

The list of distinguished persons from this nation who have contributed so much to the work of the Secretariat is too long for me to repeat here in full. I cannot, however, fail to mention the original and pioneering work of Celso Furtado, who honours us with his presence here today. For all these reasons, it is indeed fortunate that we are able to celebrate our fortieth anniversary in a country which has always been at the forefront in inspiring the Commission and which continues to make a most important contribution to the enrichment and reinforcement of its activities.

This session, Mr. President, marks a special point in the institutional life of ECLAC. Over the last 40 years, the Commission has witnessed the most intense phase of economic and social transformation in the history of the countries of Latin America and the Caribbean as independent nations — a transformation which has come about in response to the convulsions of the Great Depression of the 1930s and the Second World War. Today, once again, we find ourselves in the midst of a period of adjustment and transition: hence the need for us to revitalize outdated patterns of national development, while at the same time rebuilding the international economic order. We must now turn our eyes to the future, while drawing on the lessons and accomplishments of the past.

It is for this reason that I would like to make particular reference today to the past, present and future role of ECLAC in the development of the region. I am impelled to do so, first of all, because of the crisis which we are now experiencing and my firm conviction that all kinds of transition are a spur to constructive reflection, since change is the most basic element of the human condition. Secondly, I do so because I am part of a generation which did not take part in the early years of the work of the Secretariat in what was no doubt its most creative period, and this enables me to appreciate the significance of that work with the objectivity that comes with the passage of time. My generation identifies with the whole body of ideas which has inspired the work of the Secretariat since its inception, rather than a particular ideology.

This body of ideas stems from two main sources. The first is an unwavering commitment to the principles of the Charter of the United Nations and particularly "to promote social progress and better standards of life in larger freedom". This principle underlies not only our commitment to the goal of integral development, but also our respect for differing points of view. The second source is our deep-seated sense of Latin American and Caribbean identity, which moves us to approach the tasks of development from the vantage point of the countries that form our region. Thus, in its simplest expression, the mission of ECLAC is fundamentally to seek the means for the economic and social development of the countries of Latin America and the Caribbean.

\*Executive Secretary of ECLAC. Address delivered at the opening of the twenty-second session of the Economic Commission for Latin America and the Caribbean, Rio de Janeiro, Brazil, 20-27 April 1988.

In the past, this sense of mission has been reflected in actions of the most varied sort, but the most significant by far have been in the realm of ideas. If the ECLAC Secretariat can be said to have made an important and lasting contribution, it is to Latin American economic thinking. The most distinctive feature of ECLAC in the 1950s was indeed its creativity, that is to say, its ability to build up an integrated, coherent body of ideas on the economic progress of Latin America during the early decades of the postwar period. Many of these ideas went to the very root of the issues, and hence they were the subject of controversy and quite often of misinterpretation. The debate is still intense even today, thereby demonstrating the continued relevance of ECLAC's analyses.

Consequently, I should now like to go more deeply into my own interpretation of this store of contributions by ECLAC, especially as regards those which may point the way to the future. In so doing, I will not speak about the Secretariat's basic concepts and postulates, which are widely known. I should like instead to emphasize ECLAC's capacity for putting together its own line of economic thought and, in particular, perfecting and adapting to the realities of Latin American economic theories which gain currency in the world at large. This is what Fernando Henrique Cardoso so aptly called the originality of a copy<sup>1</sup>. It also accounts for the singular capacity to mobilize collective efforts shown by ECLAC throughout its existence as an institution. Indeed, the economic thinking developed by ECLAC has become a part of Latin America's intellectual heritage —a heritage cherished as the region's own, even by those who disagree with it.

Thus, as it has reshaped universal concepts and moulded them to the realities of the region, the ECLAC Secretariat has incorporated three distinctive features into its style of work:

*Firstly*, it has devised an original blend of thought and action. It has not been satisfied either with abstract theory alone or with pragmatism bereft of the guidance which comes from mature reflection, but has made a determined effort to place its concepts at the service of action, as part of a dialectic interplay of ideas and realities. Hence the Secretariat's interest in preparing comprehensive country studies and in analysing the international situation. These approaches underscore the inductive nature of ECLAC's *modus operandi*, in which economic policy recommendations are based on conceptual interpretations whose validity has already been substantiated by specific situations.

*Secondly*, in what has become a hallmark of its method of work, ECLAC questioned the mechanical application of conventional thinking to the realities of Latin America, thus casting doubt upon the assumption that economic policy measures would yield similar results regardless of whether they were applied to developed or developing economies.

*Thirdly*, since all situations are invariably subject to constant change, ECLAC rapidly recognized the need to adapt its thinking to the changing social and economic circumstances, including those transformations brought about by development policies themselves. The Secretariat has never regarded its conceptual matrix as an immutable body of ideas. Indeed, Raúl Prebisch himself stressed, time and again, the need for a "perpetual revision of our thinking".<sup>2</sup>

For these reasons, the economic thought of ECLAC has come to have considerable influence both inside and outside the region. The variety of ways in which its thinking has been disseminated also provide us with lessons for the future. The similarity and complementarity of the governments' and the Secretariat's perceptions have undoubtedly played a vital role in this regard, especially in the forums of the Commission. Indeed, sometimes we lose sight of the fact that the Commission is made up of the governments as well as the Secretariat. The Secretariat provides the governments with support as required, but its only true influence resides in the persuasiveness of its arguments. In this regard, far from adopting doctrinaire positions, the Secretariat has placed itself at the service of the governments, functioning as a sort of sounding board for ideas and recommendations and support-

<sup>1</sup>See F. H. Cardoso, "The originality of a copy: ECLAC and the idea of development", *CEPAL Review*, No. 4, Santiago, Chile, second half of 1977, pp.7-40.

<sup>2</sup>Address delivered by Raúl Prebisch on 7 June 1978 at the ceremony marking the thirtieth anniversary of the first session of the Commission in Santiago, Chile. His statement is reproduced in *CEPAL Review*, No. 6, Santiago, Chile, second half of 1978, pp. 272-274.

ing the collective exercise of reflection through its research, advisory services, training activities and formulation of economic policy interpretations and proposals.

This proud tradition —based on the three features mentioned as well as the manner in which the Secretariat has interacted with the governments— can provide ECLAC with a source of inspiration and serve as a means of identifying important tasks which it should fulfil in its future activities in the service of Latin America and the Caribbean. Today, more than ever, a wide-ranging debate is needed concerning the best ways to achieve the economic and social modernization of a region which has seemingly lost its capacity for growth during the 1980s and in which the force of circumstances associated with the imperatives of the present economic situation has relegated medium- and long-term development concerns to a secondary position.

Today, more than ever, an effort must be made to adapt the conventional truths of the neoliberal and neo-Keynesian paradigms to the distinct realities of Latin America and the Caribbean and to review the way our countries fit into the world economy in the spheres of trade, technology and finance.

Today, more than ever, when two-thirds of mankind is still suffering hunger and poverty, without there being any objective reason for the continuation of this state of affairs, there is a need to underscore the importance of sustained development on the agenda of the international community.

And today, as yesterday, even though circumstances may have changed and may therefore call for new approaches, the issues of integral development which are our primary concern continue to be of the utmost importance for the societies of Latin America.

We must concern ourselves today, just as we did in the past, with the way in which we are to gain access to technical progress and apply it to Latin America's productive process. Today, like yesterday, we must seek ways of ensuring that both the costs of adjustment and the benefits of growth will be distributed more equitably among the population, and it is just as essential now as it ever was in the past to promote capital formation as a basic condition for growth and as a means of incorporating technological advances. There is also a continuing need to define the role of the State and of private agents in the economy within the context of increasingly democratic and participatory societies. Today, as yesterday, political interaction is also a part of the development experience. Moreover, just as in the past, intra-regional co-operation has a vital role to play in the modernization of economic structures and in the inevitable interplay of interests which will shape the economic order now emerging in the world.

ECLAC must continue to perfect and put into practice the methods of work which have yielded such fruitful results in the past, and as part of this approach it is important that the Commission should continue to act as a mediator between ideas and action. In order to do so, it must be in the forefront of the ideas evolving within the various fields of the social sciences, while at the same time it must probe even more deeply in its analyses of the changing realities of Latin America and the Caribbean, as well as of their external environment. Outstanding among these realities are the widely differing situations to be found in the various countries of the region and, above all, the special problems of the smaller economies, which have been particularly hard hit by the crisis of recent years.

So too, now more than ever, it is proper to question the supposedly universal validity of the economic theses of the industrialized world as they relate to the specific features of Latin America and the Caribbean. Surely there can be no question but that the development of the countries of the Third World need not necessarily follow the same path as that taken by today's industrialized economies, nor need the final result be a replica of the latter.

We must reaffirm the fundamental concept —which has nonetheless been questioned in some circles in recent years— that the economic policy most appropriate for the developing countries is qualitatively different from that which is best suited to the developed nations. There is no room for the undiscerning assimilation of conventional wisdom based on assumptions which may be far removed from the true circumstances of Latin America and which, in some instances, have not been

fully substantiated. Thus, for example, growth may not always be a primary concern in the advanced countries, but our case is different because the presence of backwardness, marginality and poverty makes development the one goal which the countries of the region cannot abandon.

At the same time, ECLAC must continue to adapt its thinking to the changing circumstances both inside and outside the region. Let me mention a case in point: despite frequent assertions to the contrary in some circles, the Secretariat has assigned increasing importance to the export of manufactures ever since the early 1960s. This does not, however, mean that it has adopted any rigid position in the abstract debate on the advantages and disadvantages of export-led strategies versus those of an inward-looking nature; its attitude has simply been a response to the economic realities observed inside and outside the region. As stated in the documents presented for consideration at this meeting, it is essential to advance simultaneously in the furtherance of internal and regional economic links and in the strengthening of the position of the region's economies in the international economy. It should be noted here that the element which permits the forging of these fundamental links in a renovated development strategy for Latin America is precisely the functional dependence of the region's development on the progressive advancement of the industrialization process, which continues to be an irreplaceable mainstay of sustained growth.

Likewise, acknowledging the virtues of the market in determining the allocation of resources does not mean negating the fundamental role to be played by the State in the development process. Once again, it is the specific economic and social circumstances involved, as reflected in the creative tension set up by the interaction of public and private agents, which determine the fields of activity of the productive agents and also mean that these fields may vary substantially at different points in time and from one country to another. Thus, the long-standing false dichotomy between intervention and the market should be replaced, on a pragmatic basis, by policies which integrate and take advantage of the positive elements of both mechanisms.

Nor is there any contradiction between the goal of increasing Latin American integration and strategies for promoting the region's articulation with the international economy, as is clearly demonstrated by Europe's experience. Indeed, both of these aims must be pursued in the search for ways of mitigating the crisis and of renewing the regional development process. The manifest need to overcome the difficult economic situation now being faced will surely facilitate agreement on ways of solving the complex problems of economic policy co-ordination which formerly held back progress towards regional or subregional integration.

The Secretariat does not, of course, claim to have the answers to all these questions, and much less to possess a monopoly of Latin American truth. We do, however, have a considerable store of experience, an institutional tradition, the ability to mobilize collective efforts, and a method of work which permits us to serve as a sifting mechanism for economic ideas. In order to fulfil this function, the Secretariat must interact systematically with the governments, as well as maintaining contact with the academic community and the private agents of the region.

As part of this task, the Secretariat makes available its analyses of each and every country of the region and the fruits of its in-depth consideration of medium- and long-term options and strategies. The governments, for their part, have an intimate knowledge of the situation in their respective countries and their own development objectives, and are better able to assess the constraints to which they are subject. Bringing these two viewpoints together would greatly add to the region's creativity and capacity for action. I therefore call upon all of us to use this potential in order to defeat the crisis and to gain a clearer picture of the best ways of furthering the integral development of Latin America and the Caribbean. I have chosen this occasion for this appeal because this is one of the most important forums for the pursuit of this noble undertaking.

The above leads me to some final observations concerning the nature and scope of the work of the Commission, which also counts among its members some of the leading countries of the industrialized world. Their presence is no chance occurrence, but underscores the importance which we attribute to the dialogue between the developed and developing countries concerning the ever-present issue of the position of Latin America and the Caribbean in the international economy.



It also demonstrates our desire to facilitate the discussion of avenues and options which is inevitably subject to the tensions marking the relations between the two groups of nations.

It must be admitted that in recent years, as the regional crisis has deepened, this dialogue has become more difficult. Even though the developed and developing countries may agree that the origin of these problems is to be found in a complex interaction of internal and external phenomena, their views differ markedly when it comes to attributing responsibility. Similarly, while all the governments may accept the fact that a combination of national efforts and of improvements in the international economic environment is needed in order to overcome the crisis, they are far from reaching a consensus as to the distribution of the burdens of adjustment or about what the various countries must do in order to promote economic reactivation and growth.

A greatly simplified characterization of the view taken by the Secretariat (as expressed in the documents that will serve as the basis for the debates at this session) would be that there are at least three vital preconditions for the sustained reactivation of the economies of the region. Firstly, this requires an expanding international economy—which in turn hinges upon the vigorous and stable growth of the main developed economies—coupled with a more equitable and less restrictive system of trade. Secondly, it requires the reversal of the outward transfer of financial resources which has such a damaging effect on many of the countries of the region, along with an effort to find better joint formulas for solving the problem of external indebtedness and for mobilizing additional resources. Thirdly, it requires the application of policies for bringing about structural change aimed at transforming the countries' production capacity, raising productivity, increasing domestic saving, improving income distribution and lessening the severe macroeconomic imbalances of recent years.

In order to arrive at a lasting solution to the crisis, these three preconditions—the first two belonging to the realm of international co-operation and the other to that of the internal efforts of each country—must be fulfilled simultaneously. Carrying out this action strategy would not only benefit the peoples of the region, but would also augment the contribution that Latin America can make to the normalization and harmonious expansion of the world economy as a whole.

This is the key to a truly constructive dialogue between the industrial and the developing countries concerning the way in which they can share efforts and responsibilities in the reactivation and reorganization of the world economy. So far, despite the considerable adjustment efforts made by the countries of the region and the extremely high social cost they have paid, the results have been unsatisfactory. This is why the Latin American governments maintain, and rightly so, that their peoples have borne a disproportionate share of the cost of the international adjustment. It must also be recognized that little progress has been made in the dialogue between the developed and developing nations, while the abundance of mutual recriminations has caused malaise among the participants and decreases the effectiveness of the multilateral negotiating forums.

It is not yet too late, however, to recapture the constructiveness and promise of this dialogue, especially in the forums of the United Nations system. Otherwise, if the prerequisites I have mentioned are not fulfilled, the force of circumstances could oblige the Latin American and Caribbean countries to adopt more isolationist policies. It is the Secretariat's understanding that this option is not the will of the countries of the region, nor certainly is it the most efficient one for their development. On the other hand, however, the governments of Latin America and the Caribbean cannot be expected to continue to demand sacrifices from their peoples much longer in the absence of a political resolve on the part of the developed nations to help find an equitable way of overcoming one of the most serious obstacles to harmonious international coexistence.

It would indeed be tragic to divide the world into isolated segments when we have the means, the creative capacity and the institutions to find better solutions. This forum should carry forward the search for co-operative solutions which will provide the most rational and advantageous solution for all. Giving priority to the subject of economic development in the discussions held by the industrialized countries on the future organization of the international economy, far from being a utopian dream, is an imperative practical requirement. It is neither idle nor unrealistic to promote an open dialogue concerning the responsibilities which all the members of an increasingly integrated world economy must assume without exception.

Mr. President, ECLAC commences its fifth decade of existence in an atmosphere which is charged with distrust and uncertainty but nevertheless also offers many opportunities. In the 30 years following the war, the region demonstrated its considerable capacity for growth and modernization. Today, Latin America and the Caribbean have the human and natural resources, as well as the necessary creativity, to overcome the crisis and to enter the twenty-first century with better prospects, within the framework of increasingly democratic and participatory societies. A favourable international economic environment would, beyond doubt, greatly facilitate the success of this effort; in its absence, however, the Latin American peoples will be obliged to find the necessary solutions by themselves. Failure to do so would entail the risk of producing insurmountable breaches in their societies.

In these circumstances, ECLAC has a dual role to play. Firstly, it must contribute to a renewal of Latin American economic thought by combining ideas with realities and actions. This has been its particular contribution in the past, and it will continue to be its primary mission during the transformations that mark the closing years of this century. Secondly, in the best tradition of the United Nations, it must encourage rapprochement and co-operation among the countries of the region and between them and the industrialized centres. The ideal would be to facilitate Latin American development as part and parcel of an orderly expansion of the world economy. In the final analysis, solutions based on mutual understanding and concerted effort are manifestly superior to those founded upon the imposition or preservation of inequalities running counter to democratic values. This is why the peoples and governments of Latin America and the Caribbean should, no matter what resistance they meet, persist in their advance towards economic, social and political modernization.

## Agriculture as viewed by ECLAC

*Emiliano Ortega\**

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

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

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

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

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

\*An agricultural economist with the Joint ECLAC/FAO Agriculture Division.

## Introduction

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

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

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

### I

## Initial interpretations and formulations

### A. TOWARDS A NEW FORM OF DEVELOPMENT

#### 1. *Two types of development*

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

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

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

## *2. The paradigm of the industrial society*

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

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

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

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

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

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

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

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

capitalist state of a considerable part of Latin America”.

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

#### *4. The shortcomings of the peripheral export economies*

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

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

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

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

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

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

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

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

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

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

## B. INDUSTRIALIZATION AND AGRICULTURE

### 1. *Industrialization and rural backwardness*

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

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

### 2. *Industrialization and the modernization of agricultural technology*

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

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

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

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

## C. INVESTMENT AND EMPLOYMENT

### 1. *An old but very current problem*

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

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

### 2. *An optimum use of capital*

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

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

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

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

### 3. *The problem of investment in agriculture*

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

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

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

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

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

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

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

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

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

#### *4. The system of land tenure and land use*

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



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

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

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

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

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

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

## II

### A time of consolidation and of a critical analysis of industrialization

#### A. OBSTACLES IN THE REGION'S PATH

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

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

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

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

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

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

### 1. *Growth shortfalls and inequality*

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

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

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

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

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

### 2. *The origin of the disparities*

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

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

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

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

## B. AGRICULTURE: A CONFLICTIVE SECTOR

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

### 1. *Agriculture as a constraint*

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

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

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

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

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

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

## *2. Agrarian issues and economic development*

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

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

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

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

## *3. Observations and recommendations concerning agrarian reform*

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

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

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

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

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

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

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

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

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

### C. OBSTACLES TO INDUSTRIALIZATION

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

#### 1. *Three basic flaws*

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

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

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

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

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

### *2. Industrialization and job creation*

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

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

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

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

### *3. Industrialization and rural markets*

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

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

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

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

#### 4. *The persistence of traditional society*

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

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

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

#### 5. *Some preconditions for reactivating the industrialization process*

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

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

### D. THE INSUFFICIENT DYNAMISM OF THE LATIN AMERICAN ECONOMY

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

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

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

### 1. *The contradictions associated with modernization*

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

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

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

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

### 2. *Criticism of the occupational structure*

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

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



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

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

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

### 3. Modernization and agrarian dualism

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

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

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

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

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

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

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

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

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

#### *4. Underlying policy assumptions*

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

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

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

### III

## Development styles and the modernization of agriculture

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

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

## A. DEVELOPMENT STYLES IN LATIN AMERICA

### 1. *The debate*

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

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

### 2. *The criticism of peripheral capitalism*

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

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

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

### 3. *The development of agriculture and income distribution*

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

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

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

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

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

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

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

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

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

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

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

### 1. *The need to reinterpret agricultural development*

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

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

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

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

### *2. The new social structure in rural areas*

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

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

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

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

wage-earning class within the Latin American social structure.

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

### *3. Old and new rural problems*

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

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

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

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

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

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

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

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

#### *4. Considerations involved in dealing with the agrarian problem*

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

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

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

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

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

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

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

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

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

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

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

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

## C. THE PEASANTRY IN RECENT ECLAC ANALYSES

In an effort to promote the transformation of what is known as traditional agriculture, which, in many countries of the region, as Iglesias said, "remains one of the great and painful challenges to the policies and imagination of governments" (Iglesias, 1978, p. 13), ECLAC undertook an intensive project in conjunction with FAO whose aim was to arrive at a fuller understanding of what is referred to as the pre-capitalist, *minifundia*-based or traditional area of agriculture. A large number of publications<sup>4</sup> bear witness to the great importance attributed by ECLAC to peasant agriculture since 1978.

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

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

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

### 1. *The importance of peasant agriculture*

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

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

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

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

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

## 2. Some recommendations for the 1980s

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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# Regions as the product of social construction

Sergio Boisier\*

On 2 March 1988, the President of Peru enacted Law 24793 creating the Region of Grau, the first region in Latin America to have the status of an autonomous territorial entity endowed with a legal identity under public law. This is expected to have a strong impact as an example for other countries in which (territorial) decentralization figures prominently in political discourse and projects.

As in many other cases, among which post-1982 France may be regarded as a model, this groundbreaking step by Peru creates a situation in which "the institutional structure precedes the regional structure" in terms of the creation—not devoid of a justified degree of voluntarism—of a new territorial/societal structure. This poses a major professional challenge to regional planning, inasmuch as many of these new regions will need to be "constructed" in both a political and a social sense. To borrow a quite apt expression used by one prominent political scientist, in many cases such regions are veritable creations *ex nihilo*.

"Political construction" involves the establishment of the political and administrative apparatus for these new regions, which may even be accomplished by decree; "social construction", on the other hand, must be carried out by and with the embryonic regional society. The construction of a regional society entails the maximization of its capacity for self-organization, such that an inanimate, and in the final analysis, passive community divided by sectoral interests and having little awareness of its territorial identity can be converted into an organized and cohesive community aware of its identity as a society-region and capable of mobilizing in support of collective political projects, i.e., capable of becoming the subject of its own development. Utopian social engineering? A need to accomplish the difficult but essential task of bringing about a democratic form of decentralization? These are the complex questions addressed in this article.

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*Not found as a finished product in nature, not solely the creation of human will and fantasy, the region, like its corresponding artifact, the city, is a collective work of art.*

L. Mumford

## Introduction

The somewhat shopworn observation is often made that planning—in any of its various dimensions—is going through a serious crisis. While this statement is undoubtedly true, it contributes very little to an understanding of the actual nature of the crisis, which is surely an important step in overcoming it.

Speaking in metaphorical terms, planning, in a broad sense, and the Iberian conquest of the American continent bear more than a passing resemblance. The tale of how these men ventured out to found new nations constitutes a saga that is virtually without parallel in the history of mankind, and it was accomplished with the aid of both the cross and the sword. The cross—or in other words a *doctrine*, in this case the Catholic faith—attempted, perhaps unsuccessfully, to imbue the conquest with a moral and ethical spirit, particularly in relation to the conquerors' treatment of the native population; the sword, i.e., *political power* was a very necessary expression of the drive to conquer these lands and to found new settlements, as well as a basic precondition for the channelling of resources and the shaping of an institutional structure for the new territories being brought into the domain of the mother country.

Planning should also be understood as a saga involving the founding of new territories. As was once observed by Michel Rocard, former Minister of Planning in France, comprehensive planning is nothing less than the organization of society within a given time frame, while regional planning (or the management of the territory, according to the terminology used in France) is nothing less than the organization of society within a given spatial framework. Indeed, time and space are the reference points which delineate the framework of human activity. Planning is, then, the *re-founding* of society in terms

of both these reference points. To this end, planning, too, requires both a cross (a doctrine) and a sword (political power).

If we accept the fact that man is the only living being capable of thinking and of shaping his own future and that this capability is an outgrowth of his free will, wrought by his own hand, then it follows that this capacity, which is inseparable from the idea of planning itself, can never be in crisis, inasmuch as it is an essential trait of the individual. It is possible, however, for there to be a crisis in the doctrine or the sword, or both at the same time. Perhaps this is the way in which the much-belaboured crisis of planning should be imderstood!

The challenge faced by planning in all of its forms—in this case, regional planning—is therefore twofold. The doctrine must be constructed or reconstructed, and its practical expression must be positioned or re-positioned within the power structure.

The reconstruction of the planning doctrine must begin with the very foundations of the theoretical edifice of regional development. This demands the formulation of some basic questions which relate to all spheres of the social sciences: What is man's position now? At what point in the thought process did we diverge from the idea of man as both an object and subject of development?

Once having returned to the fundamental idea of the individual as a subject of development, it will then be necessary to form a consensus as to the idea that regional development should serve mankind rather than the territory in question. This must be the starting point for any effort to rebuild the theory of planning.

Aristotelian man—a *political animal*—is also a being who is attached to a given area from which he derives his livelihood, either by farming or by hunting—a *territorial animal*—and, as a result of his gregarious nature, he organizes this space into two environments: the *social environment*, which ranges from that of the tribe to that of the complex post-industrial societies; and the *territorial environment*, which includes everything from the tribal village to the global village described by McLuhan. These social and territorial environments have to be placed at the service of the human beings who

live within them, and this presupposes that man is capable of managing his environment or of acting upon it.

A number of different scales exist within the territorial environment which bear a definite connection with the possibility that individuals may act upon them. The first, the *global* scale, is that in which the possibility of effective action by the individual is non-existent, and it should therefore be regarded as a purely referential category. The second, the *national* scale, is that in which the individual may take indirect action through political/electoral mechanisms. The third, the *regional* scale is a medium-range environment for the individual, neither completely "macro" nor completely "micro", and one which offers many possibilities for action aimed at attaining both individual and collective objectives. The fourth, the *local* scale, is the optimum setting for individual participation, but is too restricted for the resolution of relatively aggregate or collective issues. In short, the territorial base constitutes one of the main interests of society at any organizational level. Following the national level, this interest focuses on the zone or region.

Its relative position within this spectrum notwithstanding, the regional environment is a setting of extreme complexity. In fact, due to its marked openness to and interconnection with environments external to it, it is even more complex than the larger territorial strata. Any consideration of this environment and any action taken upon it should therefore be undertaken on the basis of a strategic approach.

The idea of a strategy—of action or of regional development—in terms of thought and of action thus begins to take shape. In order to arrive at a clear understanding of what this means, it may be useful to compare this concept with a game of chess.

The player having the white pieces starts the game and theoretically has 20 opening moves from which to choose. Nevertheless, the player's accumulated social experience suggests that out of the initial range of possibilities, only three or four of these moves are suitable. The player thus examines each of these remaining possibilities and asks himself what the probable reaction of his opponent will be. Remember that, in theory, his opponent also has 20 different options for



his starting move, even though, in his case too, his socialized experience drastically reduces his range of choice. However, the second player has at his command an additional piece of information: the preceding move of his opponent. Now, of course, for the time being all this is still going on only in the mind of the first player, who thus begins to construct a veritable tree of action/reaction probabilities. In other words, he devises his strategy, which is simultaneously a selective form of thought (he does not evaluate all the options, but only a few) and a reactive form of action, since in order to decide upon each move he makes, he takes into account the past and future moves of his opponent.

In order to play chess, the participants must know the rules of the game (e.g., the type of board to be used, the names and positions of the pieces, the ways in which each of the pieces may be moved and the ways of bringing the game to an end). In other words, in order to play (in order to act), they require a *theory*. The above is invariable, regardless of the nature of the situation. Once the theory is known, chess is played in the same way everywhere.

In the clearly more complex sphere of social action, the theory needed in order to construct a strategy of action is not invariable; on the contrary, it changes and interacts with the existing set of conditions present in a given situation. Consequently, an effort to re-found the doctrine of regional development should not be based solely on the readaptation of the traditional or prevailing theories, since they may bear very little relation to the societal environment of the non-industrialized countries.

This means that, as regards the doctrine of planning, our thought processes must centre on the inseparable trilogy of *situation/theory/strategy*.<sup>1</sup>

For our purposes here, the first component of the trilogy, the situation, is represented by: i) the system of social relations of production, i.e., the political and economic system; ii) the

specific and localized manifestation of the system at a given point in time, or in other words its style, "essentially ... development policies in action, together with the contradictions and conflicts which are being produced deliberately or not" (Graciarena, 1976);<sup>2</sup> and iii) the prevailing paradigm of regional development, whose basic characteristics are a marked tendency towards industrialization, the concomitant tendency towards urbanization and a strong leaning towards centralization in respect of decision-making and administrative systems.<sup>3</sup>

In regard to this last characteristic, it should be noted that insofar as it refers to territorial decision-making relationships, centralization is closely associated with the counter-productive separation made between the *subject* and *object* of planning. Such a separation may have some value as an analytical dichotomy in some spheres of planning, but at the regional level its only effect has been that of greatly augmenting the already strong centralizing tendency of the paradigm. Within the framework of this dichotomy, the subject was and is the central—and, certainly, centralized—State, while the object was and is the region, which is regarded as nothing more than an artifact at the mercy of the subject and, as such, completely devoid of any legal, social or political capabilities since, naturally, objects are neither granted nor acknowledged to have any powers or capacities.

A theory of regional development is therefore needed which will make it possible to rationalize action taken upon the regional environment in such a way as to serve the interests of mankind; furthermore, this theory should: i) embody an explicit recognition of the nature of the social and political system of which the region is a part (for example, the existence of a large number of social actors, all of which are called upon to play legitimate, albeit contradictory, roles); ii) allow for the necessary national/regional congruity in terms of the existing style, as well as correctly identifying the limits of what is possible or the degree of freedom enjoyed in respect of regional objectives or policies; and

<sup>1</sup>For an excellent discussion of the relationships among theory, situation and strategies of regional development in Latin America, see Helmsing and Uribe-Echeverría (1981) and, for a more general consideration of the subject, see, *inter alia*, Friedmann and Weaver (1982) and Gore (1984).

<sup>2</sup>For an analysis of development styles and regional development strategies, see Hilhorst (1981).

<sup>3</sup>An excellent summarization of the prevailing paradigm is to be found in Stöhr and Taylor (1981).

iii) offer opportunities for altering the prevailing paradigm, replacing the subordinative *subject/object* relationship with one of interdependence *between subjects*, or, in other

words, converting the region from an object to a subject, which involves re-positioning regional planning within a new power distribution matrix.

## I

### The linkage between the State and the region

As this process unfolds, two subjects or two actors, the State and the region, come to be regarded virtually as one, the State. This is why the current tendency is to define the region as an autonomous political-territorial organization endowed with a legal identity under public law.

What is the nature, then, of the distribution of functions or the social division of labour between these two agents of regional development, one of long-standing and one having made its appearance relatively recently?<sup>4</sup>

When regional development is seen as a process in which responsibilities are shared by the State and the region, it then becomes necessary to determine the ways in which these two actors are linked to one another before recommendations can be made as to what public policies will be the most suitable for promoting development.

The State influences the economic growth of a region through two types of processes. One is the apportionment, of public funds among the various regions (capital and current expenditures). In this way, the State—through the public sector of the economy—performs an important function in the interregional *allocation* of resources. Identifying and implementing procedures for providing a consistent form of guidance for this process have, moreover, constituted the traditional function and modality of regional planning.

As the only political agent having legitimate coercive power, the State imposes upon all other

economic agents a given economic policy framework, both "macro" and sectoral, which has indirect impacts of various types and extents on each region. In other words, the general framework of economic policy *is not neutral from the regional standpoint*.

Seen from this angle, the effects or impacts of a given package of economic policies may be either positive for a specific region (in which case this indirect State action adds to the direct impact of its allocation of resources to the region) or negative (in which case this indirect action cancels out or even outweighs this same State's direct actions in the region). Under certain circumstances, situations of this kind may give rise, within the framework of regional planning, to an additional function of a compensatory nature whereby it seeks to offset, through (political) negotiation processes, these adverse effects through, for example, increased fiscal expenditure, at least in some regions.

In the best of cases, then, State action in a given region sets up conditions which are conducive to economic growth. Bearing in mind the differences which exist between development and economic growth pure and simple, however, it is evident that the transition from one situation to the other will depend to a much greater extent on what the region itself can do—on its *capacity for social organization*—than on the actions of the State.

In this respect, the linkage between the State (as a government apparatus) and the region (as a social actor) is a decisive factor in determining the success of efforts to promote genuine regional development. Regardless of the amount of resources which the State may furnish to a region, the region will not achieve development if it lacks a regional *society*, a complex society

<sup>4</sup>The "agent of long-standing" is, contrary to what one might think, the *region*, whose emergence as a social and political unit considerably antedates that of the State.

having truly regional institutions, a political class, an entrepreneurial class, community-based social organizations, and political projects of its own for whose sake it is capable of concerting its efforts on a collective basis. This is why a contradiction in terms arises when one assumes that the State can, by itself, "develop" a region.

This would appear to be the pivotal issue as regards regional development. All else is subordinate to the achievement of an active arrangement between the State and the region. The region's natural resources, geographical positions, and absolute and comparative advantages are all certainly important elements and positive factors in stimulating the growth of the regions and in attaining a better balance among them, but in the final analysis, these factors are nonetheless subordinate to the political and social elements mentioned above.

A more up-to-date and integral concept of regional development thus demands a recognition of the existence of three complementary and interdependent functions within what is commonly referred to as "regional planning". The first such function, the *allocation of resources*, is economic in nature, centralized in respect of its execution and regionally exogenous; the second, that of compensating for or *offsetting* the adverse impacts of economic policy, is essentially political in nature, procedurally deconcentrated and also regionally exogenous; the third, that of *social activation*, is social in nature, clearly decentralized, and regionally endogenous. This is, of course, a more complex concept whose implementation is more difficult. It is also, however, potentially more effective and fulfils the first condition required for the rebuilding of planning theory.<sup>5</sup>

## II

### The agenda for building a regional society

What elements are required in order to construct a theory that will aid in this attempt to convert the region-as-object into a region-as-subject, which is the central issue of the present discussion?

Once such requirement is a different distribution of political power within society; this might be thought of in terms of a new "social pact" between the State and the civilian society—a society which is in part manifested and organized in its constituent regions—and political/territorial decentralization is the tool used to forge this new social pact.

Hence, *regional development and territorial decentralization* are two processes which in practice form a single self-contained process whose nature and dimension are clearly both political and social.<sup>6</sup>

In almost every case, regional decentralization entails the need to *construct* the regions in a *political* sense. As was once said, the regions

have to be "politified". In other words, the regions need to be endowed with bodies that will form an autonomous political and administrative structure, thereby allowing them to take on the status of autonomous political/territorial entities having a legal identity under public law. Although the names may vary, these regional bodies are: an elected or partially elected regional authority, a regional legislative assembly, a regional economic and social council, and the various regional administrative agencies.

If this process is to be a truly democratic one as well, then the share of political power given to the region must not be entrusted solely to a formal organizational structure or a hegemonic social group. There must be a "socially appropriate" depository for such power, and this can be no other than the organized regional society or community.<sup>7</sup> In practice, this in turn implies the need to *construct* the region in a *social* sense.

<sup>5</sup>This is a brief summary of the hypothesis concerning regional development presented more fully in Boisier (1982).

<sup>6</sup>This idea is developed by Boisier (1987).

<sup>7</sup>Since many of the regions used for planning purposes are creations *ex nihilo* (Palma, 1982) or are very nearly so, it may be virtually a fiction to make the assumption that an organized regional society or community exists as a given.

The region's development thus also involves an important social dimension. In social terms, the construction or building of a region means optimizing its capacity for self-organization so as to transform an inanimate and, in the final analysis, passive community divided by sectoral interests and having little awareness of its territorial identity into an organized, cohesive community which is aware of its identity as a society and region and is capable of mobilizing in order to further its collective political projects, i.e., capable of becoming a *subject* of its own development. The construction of such an edifice is clearly a social task having quite specific characteristics, since not all forms of regional social organization serve to promote an equitable and democratic type of regional development. The kind of development we are speaking about here presupposes a regional society that is organized in a spirit of concerted effort and social participation.

In a book published recently in Chile, Jordi Borja, Deputy Mayor of Barcelona and a specialist in urban geography, discusses a very similar concept:

"Decentralization is a comprehensive process presupposing, on the one hand, the acknowledged existence of a *subject* [underlined in the original] —a territorially-based society or community— capable of assuming responsibility for the management of collective interests and endowed with a sociocultural and political administrative identity and, on the other hand, the transference to this subject of a range of *areas of responsibility and resources* (financial, human, material) which it does not yet have and which it can manage on an independent basis within the prevailing legal framework" (Borja, 1987).<sup>8</sup>

There will invariably be a need to undertake what may be referred to as the "construction" of a regional society whenever the *institutional structure* predates and attempts to create the *regional structure*. In some cases (Catalonia, Galicia and the Basque provinces in Spain may

be good examples), the *regional demand* is what triggers decentralization and regional development efforts. In others (France and Latin America in general), the *governmental supply*, which may arise out of different rationalities, precedes the demand and superimposes a given regionalization upon the territory in question.<sup>9</sup> This immediately opens up a vast and ill-defined realm of exploration as regards how a region is to be defined and how this gives rise to regionalization initiatives. The history of this matter demonstrates that priority was mistakenly placed on the discussion of the nature of what might be called the *container* (size, boundaries, etc.) whereas what should have been emphasized was the structure of the *content*. In practical terms, this led to the *failure* of most regionalization efforts. The above situation provides direct evidence of the need to "construct a society" as has subsequently been attested to by events in, for example, France since 1982.

"Generally speaking, they [the first experiments with decentralized planning] have served as a vast seedbed for social experimentation... They have provided, at least in some cases, an opportunity for a rapprochement and for a wide-ranging discussion among various groups and interests which, despite the fact that they were all situated in a single territory, had become accustomed to considering each other as outsiders..."

"Perhaps the main point of immediate interest as regards these first experiments with decentralized planning is that they were forms of collective self-teaching, ways of learning to assume the collective responsibility for a territory and for its future. Although they fell far short of generating a self-focused type of development at the 'grass-roots' level, they did help to revive local and regional networks of contacts

<sup>9</sup>In this context, an observation made by J. Friedmann 20 years ago retains its validity. He noted that even though each of the regions in Chile had an economic profile of its own, the cultural variations among them were slight. He asserted that, generally speaking, Chileans were a quite homogeneous people whose attachment to their native land was very weak. According to Friedmann, the regions of Chile were therefore artificially-created economic units rather than organic historico-cultural or political entities. The provinces, which are the units that form the regions, were described by him as being no more than administrative subdivisions modeled after the prefectural system in France (Friedmann, 1969).

<sup>8</sup>In the same volume, Borja said that "...It is generally agreed that territorial divisions should be based on units having a social and/or cultural *identity* [underlined in the text] and common interests which justify the existence of representative political structures and which facilitate civic participation.

and caused a territorial awareness to emerge or re-emerge within a portion of the population and its leaders. This territorial awareness becomes all the stronger as the agents of a territory have the opportunity, in the course of their work together, to see for themselves that they may have common interests" (Planque, 1985).

The task of building a regional society begins with an effort to find out how many and what types of agents of development are present in the region or, to be more precise, how many and what types of agents of the development of the region there are, and proceeds to the identification of the linking mechanisms which bind them together and which make it possible to speak of an interrelated *group* of agents rather than merely an unrelated series of them. These two pieces of information are basic to the establishment of mechanisms of social activation.

In a recent article, Wolfe presented a list which could, in principle, be used as a direct means of identifying the existing agents *in* the region or *of* the region. Wolfe used the following categories: 1. political leaders, 2. planners and other public technocrats, 3. other bureaucrats, 4. capitalists and entrepreneurs, 5. managers and other private technocrats, 6. military officers, 7. judges and lawyers, 8. trade union leaders, 9. leaders of associations of professionals, 10. owners of mass communication media, 11. academics and intellectuals, 12. leaders and spokesmen of religious movements and organizations, 13. leaders of student organizations, 14. leaders and ideologists who reject the market-oriented economy, and 15. leaders of movements of the rural and urban poor (Wolfe, 1987). In considering this list of agents, it is important to bear in mind that they all have a distinct *rationality of their own*, which may not necessarily coincide with those of the others. To put it another way, they all interpret the regional issue and, in particular, their place within it (the relative costs and benefits of a given position) in a certain way. This constitutes one of the main obstacles to the mounting of a concerted social effort within the region.

The first "amended" rule of Orwell's animal farm applies to these agents, in that, although all of them are "agents", some of them are "more agents" than others. In this sense, a particularly important role is played by those agents having a

direct influence on resource use, either because they bring in resources from other regions or because they have an influence on the *regional* appropriation and reinvestment of the surplus.

In terms of the form taken by their activity, these agents may act either individually or collectively. In the latter case, they are grouped in public agencies that are usually consultative in nature, such as regional development councils or the like, and the legitimacy of their representative role is a matter of crucial importance.<sup>10</sup>

Two factors which are just as important as the number of agents present in a region are the distinction between agents *of* the region and agents *in* the region and the analysis of the substantive links among them. The linkage of the agents or their adherence to a common framework (something which still falls short of concerted effort) is manifested in a shared cultural frame of reference or in a regional political project. The first denotes an ascribed regional identity; the second, an acquired regional identity. Whichever the case may be, what is involved is the *principle of identity* described by Touraine as the first of the elements which serve to define a "social movement" (in this case, a regional one). As indicated by Laserna (1986), this identity relates to certain basic conditions or qualities shared by the collectivity, which in the case of a regional cultural identity have to do with the physical setting, traditions, forms of social organization, myths and expressions linked to the language, literature, music, dance and other forms of collective expression.

As an element serving to bind the agents together, a regional political project functions as an alternative and/or supplement to the regional culture. At each stage in their history, all regional societies have some sort of political project; this project may be either explicit or implicit, may involve many objectives or a few partial goals, may be a project of change, a conservative project or one of compromise, and may involve a greater or lesser degree of coerciveness as regards the distribution of power and social

<sup>10</sup>This topic is beginning to become a subject of intense debate in Chile, for example, where regional development councils are scheduled to begin functioning in 1988. These consultative regional bodies, set up by the government, are based on a good idea, but their representativity and legitimacy are debatable.

resources. In addition, all political projects are based, either explicitly or implicitly, on a set of values and beliefs concerning the structure of society and how it should function which give rise to a certain view of the type of future society that is desired and of the process of social change that will help to create it. In this sense, a political project has a predominant ideology, which has an influence both on the identification of social goals and on the legitimacy accorded to the means that are to be used to reach those ends (Solari *et al.*, 1980). The existence of a regional political project presupposes the existence of a regional "society", which is precisely what has to be constructed in order for it to be possible to structure a regional project. The logical conclusion, then, is that the construction of a regional society and the specification of a political project are simultaneous and interactive tasks.

*Regional society, ideology and regional movements* would appear to be three basic concepts subsumed by the overall idea of "building a regional society". The idea of a regional society should be understood as that of a social sphere, in a broad sense, in which a set of particular social practices and relationships take place and are repeated. This concept refers to a structural and political unit set within corresponding social spheres which are constantly interacting with others and changing in accordance with the various phases of national development (F. Calderón, cited by Laserna, 1986). The social sphere and the accompanying geographical sphere are linked by a reciprocal delineation or one-to-one correspondence.

The ideology in question is *regionalism*. This term, strictly speaking, represents the idea of the region in action as an *ideology*, as a social movement or as the theoretical foundations for regional planning (Schwartz, 1974) because, apart from being a physical entity, the region also gradually becomes a collective consciousness. As H.W. Odum observed long ago, regionalism represents the philosophy and the technique of self-help and of self-development, together with the initiative by which each area is not only aided, but is also committed to the full development of its own resources and capacities. This, on the one hand, contrasts with the regional dependence of a nation or with the sub-marginality of one region as compared to

others; on the other hand, it also contrasts with foreign exploitation. It presupposes that the key factor in the redistribution of wealth and in equality of opportunity is each region's capability to create wealth and, through advances in respect of the consumption of goods, to maintain this capability and to retain this wealth by means of well-balanced programmes of production and consumption (H.W. Odum as cited by Friedmann and Weaver, 1982).

Regional social movements—which are an expression of the regionalism of a society—are, as defined by Laserna (1986), collective actions that give an explicit form to an identity associated with a given territory to which these movements attribute, or on the basis of which they lay claim to, a number of particular features (economic, cultural, ethnic, historical, geographical, political, etc.). In order to conserve the broad inclusiveness of the territorial basis of this identity, such movements are constantly faced with the need to establish forums and mechanisms for concerting social efforts and are thus prompted to engage in democratic practices in order to allow their heterogeneous members to express themselves.

Based on the foregoing, it is possible to delineate the sequence of actions which lead to the regions' achievement of the status of *quasi-States*, or to their establishment as such, i.e., as subjects born of a highly decentralization-oriented process of constructing a *regional society*.

The starting point for this process is an analysis of the *fabric of society*, a concept which refers to the identification of agents of regional development of *the region* (after the style of Wolfe) and of the *linkages* which bind them together. As already noted, the substantive linkage of these agents may be accomplished by reference to a *common culture* or by means of a regional *political project*.

The fabric of society also defines the set of community-based social organizations (neighbourhood councils, centres providing services for mothers, youth centres, sports clubs, etc.) through which the population, by virtue of a group effort, manages to achieve certain objectives that are free of political implications in the sense that they affect neither the resources nor the superstructure of the society. These organi-

zations are a vehicle for "micro-participation", which is somewhat similar to the concept of grass-roots democracy. Some time ago, Friedmann used the concept of "social development enclaves" to explore a similar subject matter.<sup>11</sup>

As regards the idea of a regional political project, the notion of building a regional society relates to the specific proposals which go to make up such a project. These proposals generally take the form of various types of demands aimed at achieving a different *position* for the region within the national political and economic system. This is an ongoing issue rather than one arising out of a specific situation at a given point in time; by the same token, any political project is a long-term effort, although it is, of course, initiated in the "here and now" rather than at some distant point in the future. It follows from what was said in the preceding paragraph that all regional political projects, either explicitly or implicitly, challenge the quantitative and/or qualitative domination to which the region is subject.

Regionalism as the ideology of a regional political project, is embraced by a *regional society*. The existence of such a society, inasmuch as it is a concrete manifestation of an organic and ideologized social fabric, attests to the existence of a *socially constructed region*, which gives expression to its own political project through *regional movements*. The main, most long-lasting and most comprehensive demand of these movements is the *demand for the decentralization* of an autonomy which will ultimately lead to the formation of a *politically constructed region*. This, in its turn will give rise to the idea of the region as a *quasi-State* in legal and political terms, in other words, as a political institution endowed with some of the attributes ascribed to the State as an association of individuals. This concept is of particular importance as regards the supplantation of the typical relationship in which the region is subordinate to the

State by a new type of *concerted*, interdependent and co-operative relationship between the two subjects which would permit the use of new regional planning and management tools, after the style of the *plan-contrats* employed in France since its decentralization under Mitterrand.<sup>12</sup>

An important aspect of this idea has to do with what prompts concerted regional efforts or what moves people to undertake them and the subsequent leadership of regional movements. In an interesting contribution to the study of regional movements, Abalos (1985) stated that the issue of participation in such movements may be addressed on two different levels: one regards the ability to call people together and thus to garner mass support, while the other relates to the origin and nature of the leaders and activists in these causes. According to Abalos, regional movements attempt to mobilize the people on a vertical basis, i.e., without reference to intra-regional differences in status, social and economic class, and power. Their proclamations thus serve to unify the various social sectors and occupational groups.

Another aspect refers to the origin of regional activists. Abalos (1985) asserted that, while precise definitions are impossible, it would seem reasonable to assume that such leaders have, insofar as dealing with regional political problems is concerned, abilities, knowledge and perspectives on the issues which are superior to those of the majority of the local population.

It is likely that this capacity for calling people together and for encouraging concerted effort can be more fully developed in institutions (belonging to or established in the region) which, by their very nature and focus, function on a multisectoral and supra-class basis. This fact, in combination with the social prestige accorded to those institutions which are repositories of scientific knowledge or which take a

<sup>11</sup>Friedmann referred to the "active peripheries" as social development enclaves possessing a strong potential for organizing themselves in order to achieve sustained economic growth. He proposed that this potential be termed "their capacity for social development" (Friedmann, 1973). Note the similarity, although it goes no further than that, of the concept of *capacity for regional social organization*.

<sup>12</sup>This comprehensive contract is prepared by the Chairman of the Conseil Régional on behalf of the region and by the Administrator of the region for the Republic and on behalf of the State. These planning contracts have three main components: specific action programmes in which objectives and costs are specified; concerted efforts to modernize the economy as regards the inputs and outputs of the production process and to promote greater social justice; and strategies for dealing with specific regional characteristics (Benko, 1987).

moral stand, would seem to indicate that institutions such as universities or the Church (the latter term being used in a broad sense) are in a particularly good position to serve as "inductors" into a regionally concerted societal effort.

Such concerted efforts, whether between the region and the State or among the actors or agents within a region, may be regarded as the outcome of genuine processes of social synergism which are characteristic of an open system, as are all regions. The ideas formulated by Haken are therefore applicable here. Haken contends that the various components of an open system are constantly trying out new mutual positions, new movements or reactions, which invariably involve numerous individual compo-

nents of the system. Under the influence of a steady stream of energy inputs, one or more of these movements or reactions will prove to be superior to the rest (Haken, 1984). In the re-creative venture represented by regional planning and decentralization, these inputs of energy are nothing less than the collective political will of the people to reach a higher stage of development and democracy (Boisier, 1987). The answer to the implied question as to how much political energy needs to be injected into the system in order to induce such a synergetic process is that it is a large amount but —as evidenced by the relatively recent cases of France and Spain— not nearly so much as would be entailed by any revolutionary utopia.

### III

## The State and the domination of the region

It is impossible to understand regional underdevelopment or development without considering the State. Since not all the actors involved in a given regional situation are equal, it is essential to bear in mind the forms of domination that are at work and the distribution of the resources of the society in question (Solari, *et al.*, 1980).

But which State or which concept of the State is of primary interest here? Clearly, we are more concerned with this agent as a political entity than as a public institutional *apparatus*. Nonetheless, all of the numerous facets of the State are involved.

If the task of building a regional society leads, as observed earlier, to the emergence of a regional *quasi-State*, the purpose of this is to permit the regions —or at least some of them— to form appropriate linkages with the State. This, in its turn, requires that an understanding be gained of the various rationalities (political, economic, legal, etc.) which account for and guide State action.

O'Donnell (1984) sees the State as "the specifically political component of the domination of a territorially-delimited society". Maranhao (1982), for his part, says that: "The State is essentially a social relationship of domination

and is revealed as an instrument of class insofar as it provides a basis for and organizes relationships of domination through institutions customarily holding a monopoly on the means of coercion within a defined territory, thereby ensuring the existence of a system in which the components of civilian society are linked to one another on an unequal footing" (Maranhao, 1982).

In respect of some of the functions performed by the State by virtue of its ability to dominate, the statements made by the above-mentioned authors bear repeating here. For example, Maranhao argues that: "Nevertheless, to the extent that these State institutions are regarded as having a *legitimate* [underlined in the original] right to ensure the continued existence of the system of social domination, the State is seen as a *mediator* of social conflicts." For his part, O'Donnell says: "The State ensures and organizes the reproduction of the society *qua* capitalist because it is involved in a relationship of 'structural complicity' with that society." Solari, Boeninger, Franco and Palma (1980) underscore three functions associated with the State's role in planning: the State is the party responsible for the legal act of planning, an actor



*vis-à-vis* civilian society, and, finally, a political integration and support mechanism.

The above quotations raise a significant issue: *domination* would appear to be an intrinsic feature of the very concept of the State, one of the purposes for which it is used being to direct the economic system towards the attainment of specific objectives that are expressed as a given function of social preference (in economic terms) or as a given political project (in sociological terms), e.g., the maximization of the growth rate or the achievement of a certain pattern as regards the distribution of wealth.

In view of the importance attributed to it, the concept of domination needs to be accurately described. This task was taken on by O'Donnell, who formulated the following definition:

"I understand domination (or power) as being the existing and potential capacity to impose one's will upon others on a regular basis, even—but not necessarily—in the face of resistance. Domination is relational: it is a type of relationship between social subjects. It is by definition asymmetrical, since it is an unequal relationship. This asymmetry arises out of the differential control over certain resources, owing to which it is usually possible to influence what the dominated party does and does not do to a sufficient extent to ensure that this party's behaviour will be in keeping with the express, tacit or presumed will of the dominant actor. It would serve no purpose to take an exhaustive inventory of these resources, but it would be useful to identify a few which are very important sources of support for such domination. The first is the control of means of physical coercion which are either self-mobilizing or can be mobilized by a third party. Another is control over economic resources. A third is control over information resources in the broad sense, including scientific and technological know-how. Finally, there is ideological control; this is the means by which the dominated party comes to see the asymmetrical relationship in which he is a part as being just and natural and, as a result, neither understands nor questions this relationship as being one of domination" (O'Donnell, 1984).

In order to employ the idea of domination within the context of the region, in other words, in order to arrive at a genuine understanding of

what is meant when speaking of linkages of domination/dependence in "central/peripheral" models *à la Friedmann*, it is necessary to introduce some of the basic concepts of the general theory of systems.

A system is an arrangement of animate or inanimate entities or objects which receive certain flows of inputs and which are limited to acting in a predetermined manner upon these inputs so as to produce certain outputs, the object being to maximize a given input/output function.<sup>13</sup>

It is also necessary to bear in mind that the essence of systems analysis lies in the fact that what is best for the whole is not necessarily best for each component of the system.

Put another way, this means that in order for the system to run optimally, the subsystems may have to function sub-optimally.

Returning to the concept of the State, but this time using an approach taken from the field of political positivism rather than from an ideological standpoint, the State may be understood as an *association of individuals*, i.e., as a society created by men and endowed with certain known characteristics (obligatory membership, territoriality, the *legitimate use of force*) by these individuals so that this society or particular grouping known as the State may perform certain social tasks which the individuals themselves—or the associations that act as their intermediaries—either cannot carry out (giving rise to a subsidiary State) or do not wish to undertake (giving rise to a supplementary and, of course, centralized State). One of the tasks delegated to this association of individuals will be—in either of the two cases described—to *optimize the functioning of the social system in terms of a number of collectively accepted results*, e.g., maximizing the growth rate of production or achieving a given distribution of income. Strictly speaking, then, the term "social system" denotes a number of different systems, one of which is the regional system.

It may thus be stated that one of the tasks assigned to the State is to maximize, in keeping with the prevailing styles of development, the growth rate of the social product from the stand-

<sup>13</sup>This is the definition of a system proposed long ago by R.B. Kresher. It is used, for example, in Stanley (1966).

point of the group of regions forming a regional system, whose boundaries, as it were, coincide with those of the whole. If the State is to perform such an assignment, it will have to proceed in such a fashion that one or more subsystems (regions) may have to function sub-optimally. It is at this point that the idea of domination comes into play because the State can remain true to its own nature and purpose only by making use of this capacity.

The true meaning and implications of the domination/dependence relationship have not escaped the attention of some specialists. For example, C. Gore remarked that:

"Moreover, as soon as co-ordination mechanisms for planning the allocation of resources at the regional level are established, the conflicts between the achievement of national and regional objectives will begin to become evident. The government may contend that its policies have been designed for the 'common good' of all those living in the national territory, but no matter how this idea is defined, the attainment of the 'common good' on the national scale will run counter to its achievement at the regional level and vice versa.<sup>14</sup> A policy which theoretically serves the 'common good' of the inhabitants of the national territory will not serve the 'common good' of the people in some regions of that territory ..." (Gore, 1984).

Thus, the State *limits* the possibilities of material expansion in some regions, or, in other words, it *dominates the regions in quantitative terms*, preventing them from maximizing their production. In other somewhat more subtle cases, the State may *dominate regions in qualitative terms* in the sense that, although the State encourages the region to maximize its production, it channels this production in a direction or manner in keeping, not with the region's needs, but with those of the nation and/or other regions.

Indeed, the territorial expansion of a capitalist system whose style is oriented towards the

maximization of production reflects an internal logic which directs the system towards the penetration of new spheres that are not part of the areas in which accumulation has traditionally taken place. It then imposes, on a reduced scale, a *style* upon these spheres which is in every way similar to that prevailing at the national level and sets up a relationship of domination that plays an essential role in ensuring the reproduction of the pattern of accumulation.<sup>15</sup>

The State's necessary domination of certain regions does not mean that it must take direct action as such or even action through its temporary political structure, i.e., the government. The more capitalized regions, whose interests coincide almost entirely with the "overall interests" of the society as represented by the State, act as vehicles for this domination. What significant difference can there be between the "interests" of the country and the "interests" of the central region (the traditional site of accumulation) if the latter accounts, for example, for 70% or 80% of the country's manufacturing output within the framework of a style in which industry is the leading sector?<sup>16</sup>

This phenomenon of domination which arises out of the *systemic* nature of the regional grouping, also occurs on a descending scale between the lower rungs of the national "ladder". Thus, for example, the central southern region *dominates* the north-eastern region in Brazil; and if the north-eastern region is, in its turn, considered as a system of various federated states, it may be seen that it is probably the case that Bahia *dominates* Ceará and that, within Ceará, the municipality of Fortaleza *dominates* the other municipalities, and so forth.

For all regions, it is essential to "discover" the identity of the agent dominating them and the type of subordination to which they are subject. For some regions, eliminating this relationship of domination signifies paving the way for them to convert their growth into development,

<sup>14</sup>This is clearly illustrated by the experiences of a number of countries. For example, during the 1950s in Argentina the Federal Investment Council (CFI) was founded as a result of a political agreement among the provinces. The Republic as such is not a member of this institution, whose purpose is to represent and defend the interests of the provinces as a group, as distinct from those of the Nation (author's note).

<sup>15</sup>Many authors —including Harvey (1982), Boisier (1982) and de Mattos (1983)— have discussed the rationale of the territorial expansion of a capitalist system from various ideological viewpoints.

<sup>16</sup>For example, the state of Sergipe in north-eastern Brazil is "dependent upon and dominated by": a) the Brazilian State; b) the state of São Paulo; or c) by each and both or, to put it another way, by São Paulo *on behalf* of the national State.

whereas for others, overcoming this domination is a prerequisite for the realization of their growth potential. In both cases, while some aspects may vary, this is probably the most important function of a planned regional development effort. And this task will also constitute a basic component of the *regional political project*.

But is it possible to eliminate a relationship of domination/dependence between, for example, region A (dominant) and region B (dependent) if it is the outcome of the dual logic of territorial expansion and systemic optimization?

Let us first consider *quantitative domination*, i.e., that which takes the form of the imposition of a lower *level and rate* of production than what the region is capable of achieving. It must be assumed that this modality of domination operates by means of the interregional process of resource allocation,<sup>17</sup> whereby a smaller flow of resources is channelled to these regions than what the regional economies could absorb without generating inflationary pressures; in addition, this modality also functions by means of the possible negative impact of overall and sectoral economic policies. It would be feasible to alter the interregional pattern of resource allocation by significantly improving the *region's bargaining position* based on its capacity for social organization at this level. The latter factor is closely related to the possibilities of developing a regional political project (Boisier, 1982).

*Qualitative domination*, i.e., wherein regional expansion is determined in accordance with the needs of the dominant region, is seen in the case of those regions into which the system is in the process of being introduced; as noted earlier, a style similar to the dominant overall style is imposed upon these regions.<sup>18</sup> In such a situation, eliminating linkages marked by domination/dependence may represent a much more complex challenge. In part, this is because there is the danger that their domination may also take on an *ideological* dimension in the sense used by O'Donnell, in which case no social forces having political power will question it. And in part, it is also because these regions totally identify with (and are incorporated into) the dominant forces of the national/regional dyad. The success of these regions is the success of the system and of its particular style, and vice-versa.

The mounting of a *concerted effort* by the region and the State with a view to identifying and executing projects in areas (of production or research) which fulfill shared needs may, in such instances, be a good means of *reducing the proportion* of local activities designed to serve the interests of the dominant region and thus making its growth more *endogenous*. This is both a condition for and a feature of the *development* of the region.<sup>19</sup> As has already been said, concerted efforts of this type are only possible when the regions in question have been *politically and socially constructed* as such.

## IV

### The building of regional societies: a utopian form of social engineering?

In taking up the challenge of constructing regional societies, there is always a danger that the actors concerned will give in to the temptation of resorting to centralization, domination and authoritarianism, which, in the final analysis, are external to the region. Of course, a region

that follows this path will never—as has become quite clear—cease to be subject to social manipu-

<sup>17</sup>Assuming that there are no concurrent structural constraints such as, for example, a shortage of natural resources or a population of too small a size.

<sup>18</sup>These are, therefore, regions which are assigned a top priority *in actuality*, and their mode of production will be based on industrialization and urbanization. These are the cases of regional development which are usually considered to be "successful". They are, in other words, the new centres of accumulation.

<sup>19</sup>Here too, France's *plan-contrats* are a good example of agreements concerning the joint execution of activities and the joint promotion of scientific and technological research.

lation. The people —the object, subject and beneficiary of development— will remain an entelechy.

Under these circumstances, one is dealing with a project of utopian social engineering (to use the expression coined by K. Popper), thus called because it depletes itself while leading nowhere and remaining isolated from the social forces that could make it viable. According to Popper, all social utopias, when transformed into a political project (i.e., that involve the control of power), exhibit a strong tendency towards authoritarianism.

The building of a regional society can only be accomplished with and by the regional community, even if this community is, in the beginning, incipient and ill-defined. Outside aid, which is normally needed at the outset as an inductive mechanism, should be halted as soon as possible.

At this point it is necessary to return to a question that was posed earlier: What agents can or should act as initial "inductors" in the process of mobilizing the regional community? Setting aside the possibility that internal or external *events* might occur which, in some cases, could start off this process,<sup>20</sup> the answer seems to lie in the potential role of non-governmental organizations.

Some of these organizations function primarily at very basic social levels,<sup>21</sup> whereas others operate at super-structural and formal levels; still others carry out activities at both levels (the Church in particular). These organizations play at least two significant roles in the "construction" of regional societies: firstly, their very presence helps to inspissate the social fabric, which is of intrinsic value; and, secondly, in certain instances they serve as "induction centres" for this effort. As such, they have the considerable advantage of being well received and accepted by the population, and particularly by its most marginal segments. They are therefore considerably better suited to serving as a link

with the population than are public-sector agencies, which are at best usually suspected of paternalism and clientage. Regional universities (when they exist) and the Church were identified earlier in this article as two possible inductive agents.

The topic of the potential role of non-governmental organizations in regional development has become a subject of inquiry in its own right, and its analysis therefore goes beyond the scope of this article.<sup>22</sup> In any event, the point should be made that the articulation and mobilization of the regional community go hand in hand with the delineation of the regional political project. This is the backdrop against which the regional community is projected, i.e., the source of the pre-established objectives which serve as its guidelines.

The regional political project should be based on an ideology and a strategy both of and for regional development. In broad outline, such a strategy has as part of its ultimate objective the *selective closing*<sup>23</sup> of the region, and it relies on a procedure of *negotiated planning*,<sup>24</sup> which is, by definition, a participatory and concerted planning modality. As regards the well-known paradigms of regional development, the strategy—and consequently the political project— borrows elements from each, based as it is on the articulation of the two subjects or actors discussed above: the State and the region.

The mobilization of the community and the parallel task of specifying the content of the political project are matters which can perhaps be better understood if we first answer a key question, namely: What can the agents of development do to further the development of their own region? In order to answer this question, a clear explanation of regional development in general is needed (in other words, an explicit *theory* is required). If this explanation is both a non-abstract and socially articulated one, then it will provide a clear idea of the role of each of the main actors, including political leaders, entre-

<sup>20</sup>For example, natural disasters that promote solidarity or political or economic events which provoke a collective defensive reaction.

<sup>21</sup>The neoliberal economic policies that have been tried out in Latin America since the 1970s have led to the formation of a great variety of "grass-roots" non-governmental organizations, many of which play a part in the survival strategies of the poorest and most marginalized sectors of the population.

<sup>22</sup>Issue No. 29 (December 1983) of the *Revista latinoamericana de estudios urbano-regionales* (EURE), which is published by the Urban Studies Institute of the Catholic University of Chile, is devoted in its entirety to the role of non-governmental organizations in regional development.

<sup>23</sup>This is a well-known postulate developed by Stühr (1981).

<sup>24</sup>This idea was presented in Boisier (1979).

preneurs and social leaders, whose activities and responsibilities should form part of institutional and collective tasks of the region.

At this point the reader might well ask whether the accomplishment of all the steps described up until now would guarantee that the process of building a regional society would be completed. The answer is a resounding "no". There is no certainty whatsoever that the implementation of a given series of actions will result in the desired "construction of a regional society". In fact, answering the above question with an unequivocal "yes" would place the whole issue back in the sphere of "utopian social engineering" or in that of a naive sort of voluntarism. While there is no recipe for attaining the objective of having constructed a regional society within a given timespan, it is nonetheless essential to have at least some outline of the task that lies ahead. Only after we have an approximate picture of the type of society and region that we desire can we begin to decide which are the best courses of action and means for reaching that objective and to devise a practical plan of action. As if the internal (in regional terms) difficulties involved in the process of social construction were few, yet another stumbling block is represented by the ambiguity of the external framework at an international level, in addition to the ideological difficulties which would, of course, become practical political difficulties.

The ambiguity of the external framework stems from the two quite different types of impacts which the most significant technological trends are having on regional processes. These trends are in evidence at the international level, but they clearly have repercussions at the local level (e.g., the changes being seen in industrial technology and in the information sciences). These subjects have been touched upon by the author in another article (Boisier, 1987). The above-mentioned ideological problems relate to the difficulty which, as a rule, Marxists have in viewing social movements (in this case, regional ones) and strategies based on a concerted effort as means of promoting social change. According to Castells, "...by definition, the concept of a

social movement as an agent of social change is entirely unthinkable in Marxist theory. There are social struggles and mass organizations that rebel in defense of their interests, but there are no such thing as conscious, collective actors capable of liberating themselves" (Castells, 1983, p. 400). The fact of the matter is that, in many regions, the political actions of some of the potential agents of development are guided, by Marxist theory, and it may therefore be assumed that at least the most perceptive among them will not accept the consolidation of a regional political project which, by definition, runs counter to their beliefs.

If man is to resume his position at the hub of the development process, he will have to accept the fact that the construction of a regional society is going to be a process which involves going back and forth between *micro-scale* tasks and objectives (of action, production, mobilization, etc.) and *macro-scale* endeavours and goals associated with ideological confrontation and the internalization of technological change. If the regional territory is to be placed at the service of man, it will be equally necessary to undertake tasks of social and political construction on both scales.

It is for this reason that the above process is based both on the microcosmic view of regionalism exemplified by Gabriela Mistral when she said: "In geography, as in love, he who does not love meticulously, virtue by virtue and feature by feature, the reckless one, who is usually vain as well, who swallows up miles with his gaze, neither knows nor savours the details, nor sees nor understands, nor loves either", and on the macrocosmic invitation extended by Pablo Neruda to construct a new world: "Rise up to be born with me, brother."\*

\*The quotations of Gabriela Mistral and Pablo Neruda were taken, respectively, from "Regionalismo", a portion of a lecture given in Spain which was characterized as a brief description of Chile and which is included in *Poesía y prosa de Gabriela Mistral* (selection and notes by Floridor Pérez), Santiago, Chile: Editorial Pehuén, 1984; and from "Alturas de Macchu Picchu", *Canto General*, Santiago, Chile, Aguilar, 1980.

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## Some thoughts on the definition of the informal sector

*Martine Guerguil\**

Although much has been written about the informal sector in Latin America during the past 15 years, the economic concept of informality continues to be more a matter of intuition than an idea having a clearly-defined analytical content. The pioneering ILO study on the subject established the fact that the informal sector was eminently residual in nature, but it did not set up a consistent analytical framework or an appropriate statistical indicator. In the course of subsequent efforts to devise a more operational definition of the concept of informality, two approaches have gained the widest acceptance: one, which was formulated by ILO, focuses on the production rationale of the enterprises in question; the other is based on the criterion of illegality and has only recently come into use in the region, although it has been widely employed in the industrial countries. These two concurrent concepts thus have overlapping yet different coverages and aims. Each is linked to a distinct ideological orientation and therefore calls for a different terminology. Nonetheless, neither of these two definitions satisfactorily fulfills their original purpose, which is to measure the residual segments of the economy. The success they have enjoyed in the economic literature is thus due more to their potential as a means of bridging the gap between the empirical and normative aspects of economics than to their operational usefulness, which continues to be quite limited.

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*The point is that the basic methodological element in economics, and all social science, is not the study but the story.*

Benjamin Ward\*

The informal sector has aroused an exceptional amount of interest in Latin America in recent years. So many studies have been published on this subject in such a wide range of countries within the region that this sector (which until a short time ago received very little attention in governmental and financial circles) has been explicitly incorporated into the economic policies of a number of countries and into the lending programmes of various multilateral agencies. Despite its sudden popularity, however, the economic concept of informality continues to be largely a matter of intuition rather than a clearly delineated idea. One factor which has contributed to this lack of clarity is the use of such a varied assortment of designations for this sector ("informal", "underground", "unrecorded", "non-protected", "grey", etc.). Moreover, despite the large number of empirical studies done on this sector, the available estimates as to its size in the region cover a very wide range.<sup>1</sup> Yet another factor is that, although all the recent studies indicate that this sector is expanding in most of the Latin American economies, some regard this phenomenon as an unfavourable effect of the external crisis, some praise it as a reflection of the spirit of entrepreneurship, and still others have adopted countless different positions between these two extremes. It therefore comes as no surprise that the policy recommendations made in these studies are equally varied.

This great diversity of approaches to the same concept is nothing more than a reflection of the different ways in which it is defined. Indeed, the research projects carried out in this field usually start out by formulating their own

\**What's Wrong With Economics?* Basic Books, New York, 1972.

<sup>1</sup>In the case of Peru (the Latin American country whose informal sector has been studied the most) the estimates range from 20% of the labour force and 7% of the product (PREALC, 1986) to 48% of the labour force and 39% of the product (De Soto, 1986).

definition of the subject of the study, as if they were dealing with a concept that had only recently been introduced. This is hardly the case, however, inasmuch as more than 15 years have passed since the publication of the well-known ILO report on the employment situation in Kenya which is generally considered to be the pioneering study for research on the informal sector.<sup>2</sup> Furthermore, almost nobody questions the existence of this sector any longer, and both the term and the concept are widely recognized in economic literature.<sup>3</sup> Nonetheless, this consensus goes no further than a few empirically-observed characteristics.

When it comes to attempting to define the analytical content of the concept of informality,

however, opinions differ markedly. Nevertheless, two approaches stand out from the others by virtue of their greater recognition and dissemination in the region. In the following pages, the conceptual aspects associated with these two main lines of analysis will therefore be reviewed in an attempt to assess their relevance to research on the present-day economies of Latin America and policy-making in these countries. This will not, however, involve an exhaustive review of the existing literature. Inasmuch as the purpose of this article is to provide an overview of the two main alternative definitions of the informal sector, the following analysis will be confined to those aspects which have been the most widely discussed.

## I

The concept of the informal sector was first used by the International Labour Office (ILO) in 1972 in a report on the employment situation in Kenya (ILO, 1972). ILO experts had noted the existence of a growing group of "employed poor" which did not fit into either category in the classic modern sector/traditional sector dichotomy since, in terms of their type of employment and location, these people belonged to the modern sector, but their income was only slightly higher than that associated with the traditional sector. A more detailed study of this group revealed that it represented a large number of people whose contribution to the national product was far from insignificant. Moreover, their activities exhibited a dynamic of

their own which was at odds with the prevailing belief that such activities would gradually disappear as the benefits of growth "trickled down" to the poorer strata. This group of activities was baptized the "informal sector", and emphasis was placed on the need to proceed with its active integration into development policies.

This sector was initially defined as the sum of a number of empirically-observed features: small firms which operated in open, competitive and unregulated markets using local resources and adapted, labour-intensive technologies. The formal sector, in its turn, was defined as the sum of those characteristics diametrically opposed to the above traits. An assortment of such varied features does not, of course, constitute a coherent conceptual framework; on the contrary, such a definition groups certain basic characteristics together with other related and even secondary traits as if they were all of equal importance from a theoretical viewpoint. Nevertheless, the report on the employment situation in Kenya did exhibit greater clarity in its formulations of a number of underlying perceptions relating to the existence of the informal sector and thus took the first step towards defining a new concept.

Even though this definition was heavily influenced by the specific case of Kenya and was

<sup>2</sup>Actually, the anthropologist K. Hart was the first to use the term "informal income opportunities" (Hart, 1973, in a study presented in September 1971 at a conference held by the Development Studies Institute of the University of Sussex). However, the ILO report (ILO, 1972) contained a more rigorous economic analysis of the concept and was more widely disseminated in academic circles.

<sup>3</sup>Marxist economists do not recognize the informal sector as being a valid analytical concept, although they do study the individual activities usually classified as being part of this sector. In Marxist analyses, these activities are likened to pre-capitalist forms of production. They are therefore regarded as forming part of a single economic *continuum* which is dominated by capitalism and thus entirely dependent upon it. For a more detailed discussion of the Marxist position, see De La Piedra (1986) and Guerry (1987).



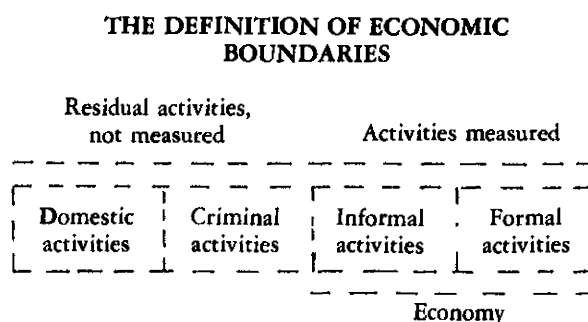
still very imprecise in analytical terms, the expression "informal sector" rapidly gained acceptance and began to appear in numerous economic, sociological, anthropological and other studies. All of them, however, started out by presenting their own definition of the concept. This was because each of the criteria used in the ILO report may be employed, either alone or in combination with others, to define a specific segment of the informal sector, and this was what was in fact being done. As was to be expected, the findings and policy implications of these studies were equally diverse.

This situation notwithstanding, some criteria have been generally accepted as bases for an economic definition of the informal sector. The starting point for this definition is the residual character of the sector, in that it deals with economically productive activities which, for one reason or another, are not usually registered by traditional measurement techniques. Another point on which there is general agreement is that criminal activities and domestic activities are not included for reasons having to do with ethical and economic accounting conventions. Even though this point has sparked a great deal of controversy both in economics and in the other social sciences<sup>4</sup> (Tanzi, 1983; Miller, 1987), there is a tacit agreement that economic policy studies will not consider these activities as being part of the informal sector.

The above-mentioned criteria are "restrictive" in the sense that they define the boundaries of the informal sector in contradistinction to other activities. They therefore implicitly delimit the total economy more than they do the informal sector as such (see figure 1). The category thus created provides a valid basis for the formulation of differing and even contradictory definitions of the concept of informality. Even

<sup>4</sup>In addition to the theoretical controversy, practical problems of measurement are also involved. These problems are especially acute in relation to developing countries, particularly when it comes to trying to draw a precise distinction between criminal and non-criminal activities in cases where the former are extraordinarily widespread and influential (e.g., the drug traffic in some countries of the region) and between strictly private domestic activities (such as cooking and childrearing) and productive but unpaid domestic activities (assistance by family members).

Figure 1



so, the residual character of the sector is one of the essential criteria for its definition, as well as accounting for much of this concept's popularity in the economic literature. Indeed, the residual nature of the informal sector provides a bridge between the empirical, accounting-oriented tradition and the normative tradition in economics. In combining that which is "not measured" and that which is "not regulated" within a single concept, the notion of the informal sector has the potential to resolve both of the two main difficulties it poses in relation to traditional economics: an incomplete picture of the situation and the consequent inability to conceptualize the phenomenon properly.

Thus defined, however, informality is a comprehensive concept which, while lending itself to various definitions, is still too broad to be useful at either the empirical or the analytical level.

In order to arrive at an operational concept of the informal sector, a positive criterion needs to be incorporated which will both give the phenomenon an analytically coherent dimension and link it to indicators based on empirical measurements. The various empirical studies carried out during the past decade have suggested a number of provisional definitions. Two of the many approaches used deserve special attention by virtue of the fact that they have served as implicit or explicit points of reference for the vast majority of the studies that have been done: one of these approaches focuses on the production rationale that is involved, while the other focuses on the criterion of illegality.

## II

The ILO and, at the regional level, the Regional Employment Programme for Latin America and the Caribbean (PREALC) laid the groundwork for a definition of the informal sector by describing it as the sum of those activities characterized by a discrete logic of production differing from that prevailing in the visible portion of the economy (PREALC, 1981; Sethuraman (ed.), 1981; and Tokman, 1987). The informal sector is therefore defined as the sum of those activities carried out by enterprises organized in accordance with a particular economic rationale, whose object is to guarantee the subsistence of the family group. This rationale thus differs from that of the formal (capitalist) sector, whose prime motivation is accumulation.

The particular rationale of the informal sector is, then, regarded as the logical source of its other characteristics. The objective of its activity determines, to a large extent, the way in which it organizes production (choice of open or relatively unrestricted market segments, labour-intensiveness) and its main features (low productivity and income level).

Furthermore, the production rationale approach stresses the employment aspect of the question, as is natural in view of the fact that it was initially developed by ILO with a view to its world employment programme. According to this approach, the factors responsible for the emergence of the informal sector are closely related to the labour market and the distribution of income. The informal sector is seen as being the result of a manpower surplus in respect of employment in the formal sector, most of which is made up of rural migrants who cannot find work in the modern urban sector and who must devise some way of obtaining an income. In keeping with this initial approach, solutions for the problems of the informal sector are usually sought in the sphere of employment and income policies.

While an explicit agreement in this respect has not been reached and analytical controversies continue to produce a good deal of literature, the production rationale approach has come to be quite widely accepted by those doing research into the informal sector in the developing coun-

tries.<sup>5</sup> Nevertheless, in a number of recent studies on this sector in the Latin American countries, a new definition has been used: the informal sector as that group of activities which are illegal in the sense that they do not comply with economic regulations pertaining to fiscal, employment, health or other matters (CEESP, 1987; De Soto, 1986; ILD, 1987; ILDV, 1987 and IDEC, 1987). According to this approach, then, illegality is the main characteristic of informality, with all its other aspects being defined on this basis. According to the former approach, on the other hand, illegality is a related characteristic of informality and possibly even a frequent one, but by no means is it regarded as a basic trait thereof. In addition, unlike the productive rationale approach, the illegality-based approach assumes that the economic rationales of formal and informal enterprises are identical and that the only distinction between the two is their legal status, which, in its turn, gives rise to differences as regards their access to resources and markets.

According to this second approach, the appearance of "illegal" production activities is due to the existence of flaws in the tax system and in prevailing laws and regulations. In contrast to the interpretation associated with the production rationale approach, the emergence of the informal sector is not regarded as being caused by certain factors inherent in the existing economic and social structure, but rather by the policies that are applied. Consequently, these two approaches arrive at diametrically opposed conclusions. As mentioned earlier, the initial research projects done on the informal sector

<sup>5</sup>Some authors, although they agree that the production rationale is a basic characteristic, place great importance upon the analysis of the corresponding labour market (Tokman, 1987), while others regard the informal sector as a sector having its own dynamics (De La Piedra, 1986). There is also some disagreement as to which unit of analysis is the most appropriate (firms, individuals or households), what degree of autonomy or dependence is exhibited by the informal sector with respect to fluctuations in formal activities, the nature of the informal sector's means of adjustment and how it behaves within the context of the short-term economic cycle, etc. For a more extensive discussion in this connection, see Raczynski (1977), De La Piedra (1986), Miller (1987) and Tokman (1987).

were a direct result of the disenchantment of some experts with the theory that the benefits of development would eventually trickle down to the poorer sectors; accordingly, they strove to guide—and, ultimately, to justify—the State's intervention in certain areas (ILO, 1972, pp. 305-503; Sethuraman, 1976, p. 69). In contrast, in recent studies on the illegal economy in the developing world, experts have urged that the laws should "reflect actual circumstances [in the informal sector] and allow the economy which is spontaneously generated by the people to function" (De Soto, 1986, p. 299) and, in consequence, they have advocated the deregulation of markets and the almost complete withdrawal of the State.

The illegality-based approach, although it has come into use only recently in studies on Latin America, has figured prominently in ana-

lyses of the informal sector in both free-market and centrally-planned industrial economies.<sup>6</sup> (Tanzi, 1982; Alessandrini and Dallago, 1986.) The application of this same theoretical framework to different regions has, however, given rise to some divergencies. One relates to terminology: in the industrial countries, illegal activities as a group have frequently been referred to as the "underground economy", although there is no consensus in this regard either. Another is that the experts doing research on illegality in these countries often recommend that the pertinent regulations be improved upon so as to increase their effectiveness, rather than advocating their dismantlement. These studies have often been headed by the economic authorities themselves, and the idea of economic illegality has therefore come to be an important frame of reference, especially in the design of fiscal policy.

### III

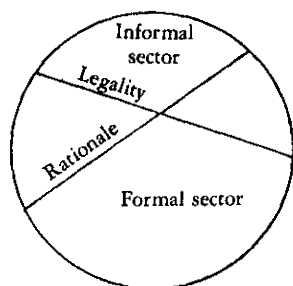
The two main approaches to the analysis of the informal sector which have been summarized above are more notable for their differences than for their similarities. Since, they overlap only partially, the two definitions do not have the same coverage (see figure 2). On the one hand, there is a high probability that activities performed in order to generate a basic family income will be illegal, but some, such as paid domestic service, may be entirely legal. On the other hand, various activities are carried out that are not in compliance with prevailing tax laws

for the purpose of increasing the earnings of either enterprises or individuals in line with the classic logic of capitalism.

The differences are equally striking when it comes to the formulation of policy recommendations. Indeed, the definition used varies according to the practical objective of the research project. Naturally, when the aim is to improve the tax structure, the study focuses on those activities conducted outside that structure; similarly, an attempt to raise the productivity of labour calls for a better understanding of low-productivity activities. The definition of these objectives is not, however, free of all ideological influence. As Fishlow has said, "prior beliefs" serve to identify both the problems and the solutions in the realm of the political economy (Fishlow, 1985). In other words, the ideological leanings of economists implicitly influence their choice of criteria for defining a concept and the related problems, as well as for determining what tools they will recommend for solving the latter.

Figure 2

#### DIVISION OF THE ECONOMY



<sup>6</sup>Tanzi (1983) discusses potential forms of illegality in the developing countries, but few empirical studies have been carried out to date.

The ideological tendencies underlying each definition of the informal sector are relatively easy to identify. The production rationale approach corresponds to the Keynesianism which gained sway in the West after the war. This approach is founded upon a belief in the role of the State in countering phases in the economic cycle and reallocating resources, which is why it tends towards policy recommendations based on the management of aggregate demand. The illegality-based approach, on the other hand, is more closely associated with the classic position in traditional economies and, more recently, with the postulates of supply-side economics. Its basic tenet is the belief that resources are allocated most efficiently when markets are allowed to operate freely, without State regulation or intervention. The difference between these two positions can be seen even more clearly when their respective policy proposals are compared. One focuses on State action as a means of changing the distribution of income and, consequently, the pattern of demand for goods and services. The other tends to stress the reduction of the tax burden (direct and indirect) and, hence, the influence of the State as means of altering the supply of the factors of production and investment levels.

The dissimilarities displayed by these two approaches clearly justify the use of different terminologies, i.e., the use of terms relating to the concept as such rather than to the geographical universe of the study. It would appear more logical to use the expression "informal sector" in connection with what has been described here as the production rationale approach, while the term "underground economy" would seem to correspond more closely to the category of activities that are carried out illegally, even if they do not constitute criminal offenses. This does not mean that one approach is more useful, effective or realistic than the other, but the experts on this subject, as well as their readers, would obviously benefit from a greater degree of conceptual and terminological precision.

Despite the differences between these two approaches, their original purpose is the same: to measure and conceptualize the "residual" segments of the economy. Unfortunately, neither of the two definitions examined above fulfills this purpose entirely satisfactorily. As already noted,

in order to make the initial concept truly operational, a positive criterion is needed that will make it possible to establish an analytical framework and a measurable indicator. Neither of the two criteria discussed above performs this dual function fully. The production rationale criterion, although analytically consistent, does not provide a sufficient basis for a satisfactory empirical study. In fact, it has proved impossible to associate this concept with a statistical indicator that can be used for macroeconomic accounting purposes. For this reason, empirical studies of the informal sector based on this approach have had to rely on specific qualitative surveys and, in most cases, have even adopted other indicators, such as firm size, income level or the number of hours worked. The analytical conclusions reached in these studies have therefore been based on ancillary classifications (small firms as a group, poverty or underemployment) and the studies have thus not succeeded in identifying the informal sector in terms of any real economic category.

Conversely, the illegality-based approach as applied in the Latin American countries has suffered from severe analytical shortcomings. Although various techniques that were initially developed in the industrial countries have been used to measure illegality, their application has not always been coupled with original conceptual interpretations which would have permitted the adaptation of these techniques to the specific circumstances of the region. The use of concepts and methodologies developed on the basis of empirical studies of the industrial countries and their extrapolation, without any major modifications, to the developing economies is a questionable practice. Although, in theory, there are "universal" economic principles and problems, in practice they are not as uniform as might be thought (Wilber and Harrison, 1978). In point of fact, many economic "problems" do not take the same form in all countries or in all regions, to say nothing of all economic systems. Moreover, in the majority of the studies conducted on illegality in industrial economies, an effort has had to be made to conceptualize the specific role of the State and, in parallel with this, of the corresponding indicators and measurement techniques. While the well-known studies have concerned the centrally-planned economies,

even the analyses of the industrial economies have involved a detailed examination of the conceptual differences between economic illegality in the United States and its equivalent modality in Western Europe (Alessandrini and Dallago, 1986; Tanzi, 1982).

The absence of similar efforts in the case of the developing countries creates a number of problems. The first relates to the frame of reference used. Obviously, the role of the State is not the same in the Third World as it is in the industrial economies. Nonetheless, in most of the studies done on illegality in Latin America, this role has not been precisely defined and, as a result, these analyses are marked by an excessive bias against State intervention, to which they attribute all the distortions that are detected. These studies do not make a constructive contribution to a reappraisal of the role of an effective "developmental" State (Fishlow, 1985, p. 145), an endeavour which is an essential part of the current re-working of economic thought in the region (Fishlow, 1985).

The difficulties created by the lack of an exact definition of the problem are compounded by the failure to properly adapt the indicator that is used. The concept of open unemployment, for example, is a widely accepted indicator of occupational problems in the industrial countries. However, it does not have the same significance in the economies of the Third World. Thus, two apparently similar elements may perform different functions according to the context in which they are employed. The logical conclusion is that different indicators are needed to evaluate different situations in order to avoid lapsing into stereotypes. The indicators used in the studies on

illegality conducted in the countries of the region are not entirely suited to the situations being examined. It is doubtful that an indicator developed in reference to a broad and coercive regulatory structure will have the same significance when it is applied to countries in which the tax base is very narrow and coercive measures are weak. The number of laws and of agencies responsible for applying them does not serve as an indicator of the degree to which an economy is regulated unless the extent to which these laws are actually obeyed is also considered. In other words, a distinction has to be made between regulation in theory and regulation in actual fact; the former depends upon the legal structure and the latter on law enforcement. There may, in theory, be a large number of legal provisions in a given country, but unless they are strictly applied, the actual degree of regulation will be extremely low. This is, in fact, the case in most of the countries of the region. The concept of a "rule" thus ceases to serve as an indicator, as what is theoretically illegal may well constitute an everyday practice. The category, defined thusly, is therefore too broad to fulfil its original purpose as a measurement.

These considerations notwithstanding, the illegality-based approach retains its analytical potential as regards the developing economies. There is no doubt about the fact that the considerable incidence of tax evasion, contraband and other forms of "economic illegality" are part of the Latin American scene and consequently merit attention. Therefore, any study on the subject should be preceded by an effort to define both the concepts and tools which will make it a useful means of improving the design of economic policies in the region.

## IV

### Some final observations

As mentioned at the beginning of this article, the concept of the informal sector has been a popular one throughout virtually the whole of the past 15 years. However, this popularity has been due more to the prospects opened up by its initial introduction than to the way in which the con-

cept has been developed during that period. The original attempt to build a bridge between what was measured and what was regulated, between a real perspective and a moral one, between the empirical and the normative, is what has made the concept of informality attractive from the

most divergent viewpoints and for the most varied aims. Furthermore, this type of concept is an ideal tool for identifying "emerging" ideas and for bringing to the fore what were formerly latent concerns in academic and government circles. It should therefore come as no surprise that the fragmentation of economic thought in the region which has been noted in other studies should have crystallized around this concept. "No single and objective description of underlying economic relationships will be agreed upon by all" (Fishlow, 1985, p. 145). At the same time, the change of focus as regards policies on the informal sector associated with the transition from a policy of intervention to one of *laissez-faire* reflects the impact which the present recession in Latin America has had on economic thinking. When these economies were growing, the problem came down to being one of giving apparently lagging sectors a share in the benefits of development; during the recession, however, the apparently most dynamic areas come to be

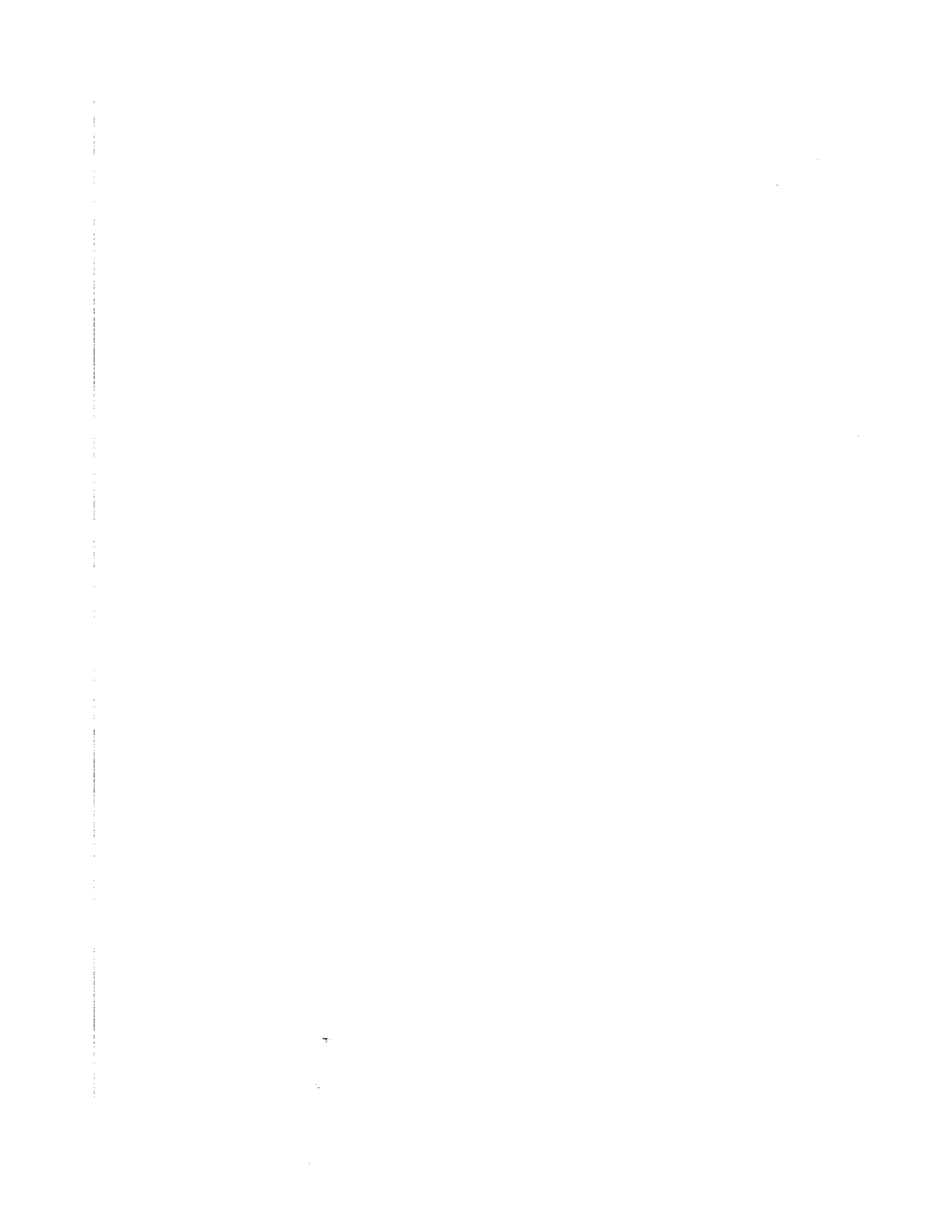
the focus of efforts to find a way out of the situation for the formal economy itself. In addition, given the current decrease in external financing—the classic "grease" for the wheels of development—a "spontaneous" form of growth that is not dependent on external assistance certainly has its attractions.

In principle, the continued elaboration of the approaches available to analysts cannot but have a positive effect on economic thinking in the region. The proliferation of approaches in respect of a single concept, however, is not conducive to efforts to arrive at a more refined definition, assuming that the ultimate purpose of the studies in question is to formulate appropriate policies. It is therefore highly unfortunate that, despite the numerous studies conducted during the past 15 years and despite the publicity given to some recent publications on the subject, a truly operational definition of the concept of the informal sector is still lacking.

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# Changes in development styles in the future of Latin America

(Seminar in homage to José Medina Echavarría,  
Santiago, Chile, 1 to 3 December 1987)

The month of November 1987 marked the passage of 10 years since the death of José Medina Echavarría, who not only was the first member of ECLAC to tackle the social and political aspects of development, but also through his fecund labours and his influence on several generations became the most outstanding personality who has ever worked with ECLAC in this field, as well as one of Latin America's most brilliant sociologists in the present century.

It was ECLAC's wish to commemorate this anniversary by holding a seminar at which distinguished Latin American thinkers might explore some aspects of the present and future of Latin America, taking as their starting-point some of the ideas, topics or concepts that were especially important in José Medina's thinking.<sup>1</sup> The proposal, therefore, was not merely to re-examine Medina's work, but to make more active use of it by adopting it as the basis for investigation into some of the region's present and future trends.

At the inaugural meeting, which was attended by Medina Echavarría's daughter, Nieves Medina, *Gert Rosenthal*, the present Executive Secretary of ECLAC, recalled the influence exercised by Medina's thinking on the sociologists and economists of the Institution and pointed out that most of his postulates still held good. He likewise remarked upon the opportuness of the Seminar, since, in his opinion, Latin America was passing through a period comparable with that of the early years of ECLAC, when the region had been setting out on a new path after the convulsive upheavals caused by the great depression of the 1930s and the second world war.

*Arturo Núñez del Prado*, Assistant Director of the Latin American and Caribbean Institute for Economic and Social Planning (ILPES), took up some of Medina's ideas on planning, on the basis of which he considered some of the principal problems currently arising in that field.

In the course of the Seminar various papers were presented, which are briefly summarized below.

*Adolfo Gurrieri*, Chief of the ECLAC Social Development Division, offered a synthesis of the main aspects of Medina's thinking, based on a study of four of his main ideals: international co-operation, economic development, democracy and planning. He reminded his hearers that for Medina those ideals represented the social scientist's point of departure, not of arrival. In his opinion, those ideals were both desirable and possible, but analysis of specific trends would show in every circumstance the distance between ideal and reality, and the options that appeared possible and probable. While the "riddle of the future" could never be fully solved, social science could be of help in examining the options open to action on the basis of certain values and the potentialities of each.

With reference to figures of such significance in Latin American sociological thinking as were José Medina Echavarría and Gino Germani, *Jorge Graciarena*, formerly Chief of the ECLAC Social Development Division, called to mind the ways in which their lives and themes coincided, since the concern of both with democracy had its roots in a deeply-felt existential experience. That also chimed in with one of the preoccupations of Raúl Prebisch, who in his last writings highlighted the unstable and conflictive economic dynamics on which the democracies of the region were based.

<sup>1</sup>This introduction will be followed by the text of some of the papers presented on that occasion.

For those three thinkers, the groundwork of democracy consisted in a basic consensus which presupposed a certain community of values, especially those relating to the validity of dialogue and the importance of co-operation and solidarity. But that consensus might be undermined by over-development of bureaucratization and technocratization, which, invoking the support of a purely instrumental rationale, would place unilateral emphasis on economic calculations, formal rationality and the obsessive pursuit of efficiency (Medina); by the disintegrating consequences of the very way in which reason was employed (Germani), or by exacerbation of the distributive struggle (Prebisch).

Taking into account the viewpoints described, Graciarena wondered what forms democracy might assume in the future, especially in those countries which were in process of transition towards it after experiences of the authoritarian type.

Devoting special attention to the transition to democracy in Argentina, Graciarena said that political options tended to be less polarized, and that a certain convergence towards the "centre" was taking place. True, there were demands for the satisfaction of claims and for reparation of negative situations, but definitely combative positions were not apparent. That fact, which might be evaluated in positive terms, also implied the predominance of immediacy and the lack of a long-term outlook. No alternative to the existing system was being sought. The situation might be described as one of little ideological differentiation and, at the same time, of lively distributive conflict. That meant an elementary political agenda, pressure for distribution of power and a conjunctural approach in the handling of the crisis, the absence of a political project transcending the immediate conjuncture, and, consequently, a want of reasonable parameters which would make it possible to look ahead into the future.

Corporative power appeared among the economic groups, both national and transnational, and also found expression in the entrepreneurial and wage-earners' associations. The corporate groups sometimes sought forms of concertation, but those were often detrimental to the democratic political order, thus detracting from the legitimacy and functional performance of the State. In that context, the need arose to strengthen the legitimacy of the State, to democratize corporative power, to broaden the range of interests represented and to democratize internal procedures for the election of leaders. Linkage between corporative power and political democracy had been possible only in countries with a very high level of economic development and social welfare. In different situations, such as characterized most of the Latin American countries, corporative power hallowed inequity.

*Anibal Pinto*, Director of the *CEPAL Review*, centred his remarks on analysis of the situation and prospects of the State as a social actor, and began by calling attention to the conservative or neoliberal attack against the State. Among the main objectives of this onslaught, which was also directed against academic circles, State institutions and international agencies, were those of reducing the sphere of action and influence of the State; curtailing public expenditure and taxes on private income; privatizing public assets and enterprises; consolidating the rule of market laws and the tendency to dispense with planning; and, lastly, confining the social action of the State to the relief of extreme poverty. He likewise observed that although the ideology in question had considerable sway in the central countries, public expenditure in the latter had greatly increased in recent years, being proportionally larger than was generally the case in the Latin American countries, while the fiscal deficit was much the same in the former as in the latter. He also referred to the significance of the State in Latin America in the sense that, generally speaking, it had been a constitutive node in the formation of the nations, and had exercised a decisive function in the tapping of resources for stimulating economic and social development, while its public enterprises sector had played an essential part in the building-up of the productive apparatus. With respect to public enterprises, he gave a warning against the danger that their privatization might place them under the control of minority private groups, national or transnational.

Despite the fury of the conservative onslaught against the State, he thought a reaction to it would probably occur, akin to that which had taken place in the 1930s, and underlined the need for the strengthening of the State to be combined with the in-depth consolidation of democracy.

One of the social actors to which Medina had attached great importance was the University, which, in his opinion, ought to cover the vital functions of providing an adequate supply of professionals in accordance with development needs, transmitting from one generation to another a specific cultural heritage and contributing to the maintenance of social cohesion. *Aldo Solari*, Deputy Director of Public Education of Uruguay and formerly Chief of the ILPES Social Planning Division, in the course of his reflections on this subject, drew attention to Medina's recognition that while these functions were not necessarily incompatible, neither were they easy to harmonize, since tensions often arose between them which derived from the different requirements that, by its very nature, education had to meet. Solari recalled that Medina's ideal had been that of the participant university, by which he meant an institution capable of analysing the problems of the society in which it was inserted, but looking at them with the detachment and spiritual tranquility that the scientific attitude demanded. But he also pointed out that it had been very difficult to attain that ideal of the participant university in Latin America, and that rather, the universities had drawn closer to the type of "militant universities" which Medina had criticized on so many occasions. The trend towards the militant university in Latin America was explicable, inasmuch as the universities played a part in the power structure of society, constituting as they did the main source of preparation of the leading cadres. In highly politicized societies it was very difficult to prevent the university from assuming the characteristics in question and to ensure that it conformed to the idea of a participant university. If a university was not capable of keeping a little aloof, while nevertheless participating actively in the problems or challenges with which society was faced, it tended to lose the "spiritual power" proper to it. Thus, as a task for the future, it was needful to avoid the isolation of the "cloistered" university, to get rid of the excesses and distortions of the "militant university" and to lay the foundations of "participant universities" which through their spiritual power could play a decisive role in the process of rational clarification required to enable the private and public social agents to contribute to the construction of more democratic and equitable societies.

When the need for a reorientation of development is posited, the question immediately arises as to who, which social actors, will assume responsibility for the task. *Marshall Wolfe*, formerly Chief of the ECLAC Social Development Division, discussed this topic, and began by calling attention to the ambiguity of the concept of social actors. In his opinion, it suggested a drama in which the actors had roles defined on the basis of previously prepared development scripts or eschatological theories as to the destiny of classes and of society; and he recalled the irony with which Medina had referred to such suppositions, implicit or explicit.

At all events, there could be no doubt that Medina had laid stress —above all in *Consideraciones sociológicas sobre el desarrollo económico de América Latina*<sup>2</sup>— on how important it was that there should be an "awakening of awareness" through which the actors might arrive at coherent and reciprocally compatible ideas on their own roles and on the dénouement of the drama: the new society sought for through development. At the same time, he had emphasized the perils of carrying such efforts too far, with a blind trust in any one author's rationale or his self-attributed right to impose his own infallible script on society. In the formulation of development policy, therefore, he had assigned priority to pluralist democracy over efficiency, not only as a value in itself, but as a means of restricting the extravagances of rationality in the definition of roles.

Looking at the social realities of Latin America from this viewpoint, Wolfe said it would seem that a conjuncture had been reached when all scripts had been failures and when most actors had less confidence than before in any prefigured role. That conjuncture was ambivalent. On the one hand, it betrayed the atmosphere of insecurity and disillusionment which, existing as it did in many countries, might be a cause of that other dangerous situation which Medina called "generalized anomie" brought about by "the complete evaporation of beliefs". On the other hand, the same conjuncture had somewhat paradoxically revitalized the ideal of pluralist democracy which Medina

<sup>2</sup>Buenos Aires, Editora Solar/Hachette, 1964.

had posited as a fundamental value. It would indeed be very difficult for any social actor today to think himself qualified to impose a development model on society: an attitude which had probably engendered greater willingness to seek coherent alternatives through free, rational and public deliberation.

In the existing situation there were also indications that all actors had a clearer perception of the limitations which they ought to take into account in formulating any development option. Wolfe emphasized, however, that a more realistic awareness of the constraints imposed by the conjuncture, and even a certain immunization against populist promises of immediate social justice, ought not to lead to manipulations that might turn the development drama into a farce in which the majorities had to become convinced that they could enjoy democratic freedom as long as they did not use it. In those ambivalent conditions Wolfe urged the need to contribute to the social actors' ability to steer a more conscious, coherent and realistic course in their quest of democratic and equitable development styles.

In speaking of the bases of political culture, *Enzo Faletto*, Regional Adviser to the ECLAC Social Development Division, took as his point of departure the significance attached by Medina to the awakening of awareness on the part of the various social groups with respect to the development cycle which had begun after the second world war. Obviously, the problems of development were much more complex today, especially in respect of the type of relation established between development and the democratic options. For Medina, what really mattered was the capacity to introduce political and social innovations which would give rise to new sources of power. Clearly, an important aspect of such changes was that of ideas. From that point of view the keynote was the awakening of awareness with regard to democracy and the existence or non-existence of values, among the various social groups capable of upholding it.

Much of the recent research undertaken in Latin America highlighted the signs of a certain crisis of consensus with respect to development strategies and even to the very idea of social change. Furthermore, the greater complexity of the existing situation called in question the efficacy of the parties, parliament, the State, and other social institutions, all of which constituted what had been termed a crisis of governability. Nevertheless, in the experience of some countries the idea of modernization had been set up as a principle of political legitimacy. Certainly, the desire for modernization served to mark a break-away from the past, but the problem was to know whether that concept was sufficiently clear to establish the bases of a future. On what body of ideas was "modernization" based? What was its real degree of internal coherence? From that standpoint, it was meaningful to reflect upon the function of intellectuals and their role in the formation of a coherent image of modernization, upon the relation between knowledge and political action, or, in more personified terms, between intellectuals and politics.

Medina had shown a keen perception of what the agrarian structure and, specifically, the hacienda, had signified in Latin America as the groundwork of a political culture. The question to be asked today was what the city signified as the groundwork of a new and democratic political culture. Recent studies relating in particular to young people from the popular sectors showed that for them urban life was an encounter with a "hostile city", where defensive forms of organization emerged which supported attitudes of confrontation and in which violence and coercion appeared as valid means of winning rights of citizenship. All of which did nothing to strengthen a democratic culture.

Democracy implied citizenly interest in politics, but that interest depended also on the degree of information received. Recent studies showed that in an ill-informed population democratic sympathies were not aroused.

In many cases a political will to rearticulate a fragmented society was observable, but, paradoxically, that could result in an excessive degree of consension, whereby politics might be identified with administration pure and simple, incurring the danger of a bureaucratization which might negate the citizen's function or reduce it to its lowest terms.

When ideas on the future organization of Latin American societies were formulated, there loomed up from the very outset the problem of priority as between public and private concerns and

the relation between the two. In the opinion of *Aníbal Quijano*, sociologist and professor in the Universidad de San Marcos de Lima, that debate was a cul-de-sac. Quijano maintained that the solution consisted not in finding some combination of public and private, but in reorganizing society on the basis of a different principle which he called "social private" concept. Current examples of that form of organization might be found in peasant communities and in urban shanty towns, but it would also seem to have constituted the deep-lying substratum of the idea of modernity in Europe, and to have persisted in America throughout the colonial period and the nineteenth century, despite the buffetings of liberalism and caciquism. In brief, it was a social system based on reciprocity, solidarity and collective organization, which might offer a way out of the sidings of Statism and privatism. According to Quijano, it constituted a utopian system which could effect a junction with the heritage of modernity, and which was not only a goal, but also a path and an ongoing experience.

*Francisco Weffort*, a sociologist from the Centre for Studies on Contemporary Culture (CEDEC) of Brazil, considered the problems faced by democracy in Latin America in the light of the concept of legitimacy. He recalled that Medina had accorded great importance to that concept in studying traditional society. In Medina's view, society was supported by a whole set of props; from the material standpoint, the cornerstone was the hacienda, but included also were the ruling classes, whose axis was constituted by oligarchies; the party system, in which he underscored the classic Conservative/Liberal two-party model; and, lastly, the "political formula", constituted by the whole rationale of that specific organization of power. The idea of legitimacy, therefore, related to the structure of production, to the State, to the party and class system and to beliefs and ideologies; and when a crisis of legitimacy was talked of, what was meant was that all those elements were beginning to disintegrate, depriving the power structure of its bases. In the 1960s, Medina asserted that ever since the 1930s Latin America had been experiencing a crisis of legitimacy, of enfeeblement of the traditional power structures, and he noted that both populism and military régimes represented responses to that crisis.

Weffort maintained that thus interpreted the crisis of legitimacy—or crisis of hegemony—still existed in most of the Latin American countries and some of the ways in which it found expression were disillusionment with democracy, demoralization of political activity and even discrediting of the politician's role. It was an atmosphere of political delegitimization, the dissipation of which was indispensable for the consolidation of democracy. There were many countries in which attitudes favourable to democracy existed, in which it was valued as an expression of resistance to military régimes and as an efficacious mechanism for settling conflicts exacerbated by the crisis.

The task for the future, then, was the consolidation of democracy. To that end, in the first place, formulas had to be found which would make it possible to concert the social interests confronting one another within societies which, in most cases, had been considerably modernized. It was also necessary to reconstruct the system of parties so that they could fulfil their function of assuming State responsibilities and serving as thoroughly efficient mechanisms for the agglutination and representation of social interests. In addition to such processes of institutional construction, care should be taken to ensure the efficiency of democratic governments in resolving the most urgent economic and social problems, so that the significance of political democracy could be gradually deepened until it became a social democracy. In his opinion, it was of decisive importance that a collective effort should be made to consolidate democracy—whether liberal, participative or socialist—because otherwise the deterioration of political values might result in regression towards new military régimes.

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# Medina Echavarría and the future of Latin America

*Adolfo Gurrieri\**

## 1. *The riddle of the future*

Of the diverse possible avenues of approach to an exposé of Medina's thinking, the one I have chosen on the present occasion, when we have met to reflect upon the future of Latin America in the light of some of Medina's main ideas, opens with a question that probably he himself would have refused to answer: how ought we, as social scientists, to face the challenge of probing into Latin America's future and guiding its course? In all likelihood his refusal would have been due not only to his modesty and his well-known reluctance to give advice, but also to the fact that the complexity of the matter in hand would have allowed him to give only a schematic and perhaps superficial reply. At all events, perhaps as one of his disciples I may be allowed, at this time of commemoration, to exercise the freedom that he himself would have forgone.

I think if Medina had begun to answer that question, he would have done so by pointing out that any sociologist interested in the phenomena of social change takes his stand, even if he does not say so, on a theory of development over the past, on a conception of history.<sup>1</sup> He considered that the history of Latin America was a fragment of the history of the West, since the process of transculturation which began with the Spanish Conquest went so deep that it converted the one into a part—often an active and creative part—of the other, and the essential feature which made the history of the West meaningful was the process of rationalization of which economic development and social and political modernization were comprised. Rationalization, however, was not an inexorable trend. The history of a

people might perhaps reveal evolutionary trends which would seem to be gradually leading it towards an objective; but such trends were the product of that same people's effort, of its members' strivings in that particular direction, not of a supposed autonomous dynamism of other than human forces.

Medina says the historical process can be conceived as a combination of necessity and freedom, conditioning and spontaneity. Every people possesses material, technical, social, political and cultural features which, while containing a range of options, establish the bounds of possibility, the frontier of what is objectively feasible. Which of the optional courses is ultimately followed will depend upon the choices and decisions of the people concerned. Accordingly, the progress of humanity, in Medina's opinion, is not determined by fate, but will always be the result of a free and spontaneous act within the framework of a fatality. In his view, the "riddle of the future"<sup>2</sup> cannot be fully solved, but neither are we at the mercy of inscrutable processes. The past of a people and its present conditions may indicate the basic trends of its orientation and to the possible and perhaps probable courses of its future, but that future cannot be predicted with certainty, since between the basic conditions and trends of a society and its future steps in human intervention, which imparts to history its degrees of freedom and indetermination.

Man has often believed in his ability to unveil the mysterious future, and these hopes—says Medina—are evidenced in religious prophecy and scientific prognostication. But he suggests the more modest method which consists in examining the structure and trends of a situation on the basis of certain criteria, in order to facili-

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<sup>1</sup>José Medina E., *La sociología como ciencia social concreta*, Madrid, Ediciones Cultura Hispánica, chapters xv to xviii, 1980.

<sup>2</sup>*Ibidem*, "Desengaños del desarrollo", in *Discurso sobre política y planeación*, Mexico, D.F., Siglo XXI Editores, 1972.

tate the choice between alternative courses of action. In his last studies<sup>3</sup> he urges the need for a forward-looking orientation which seeks to attenuate as far as possible the indetermination and uncertainty that the future always involves. This forward-looking attitude should avoid the excesses of immediatist pragmatism and of construction of irrelevant utopias. He believed that a utopia was necessary and that its absence betrayed great poverty in the interpretation of the present, but he also believed in the importance of realistic analysis of what could be done in given objective conditions.

If history is, in essence, the result of a dialectic relation between acts of freewill performed within a framework of fatalities which have largely been created by men themselves, among the main elements on which such acts are based are the values that are upheld by the social actors. Medina often points out that the fatality of circumstances defines the scope of what can realistically be desired, and in its definition science can offer very important support. But science cannot show us what we ought to desire nor what are the criteria or principles on which we should base our conduct. This choice of values, however, is not a task beyond reason, since in Medina's opinion it is one proper to philosophy.

Suffice it for the moment to keep in mind the idea, of Weberian stock, that values, even if cramped by circumstances, are decisive elements in the orientation of social action. Medina, as a social scientist, was interested in the social actors' values, because from knowledge of them some glimpses of the future could be caught. But of course, he too had his values to which I should like to refer now, since they impregnate and decisively influence the whole of his work. I shall refer (and that very briefly) only to some, not all of the values that are of importance in Medina's thinking.

## 2. *International co-operation*

The first of these values can be summed up in the ideal that in international relations co-operation should predominate, "co-operative détente". I

<sup>3</sup>See, especially, "Las propuestas de un nuevo orden económico internacional en perspectiva", in *La obra de José Medina Echavarría*, Madrid, Ediciones Cultura Hispánica, 1980.

give it first place because Medina maintains, like many ECLAC economists, that international power relations considerably influence the nature of the great world problems and the solutions which can be found for them. These relations therefore constitute an element of fundamental significance in the circumstances that condition any concrete action. He asserts, indeed, that all the burning questions of the present age are dependent upon how far international co-operation is achieved and perfected. In studies written in the mid-70s<sup>4</sup> he analyses the changes that have taken place in international relations and believes a main trend is perceptible that leads away from the structures proper to the cold war and towards those of co-operative détente. This latter implies a general slackening of tension at the international level and the laying of firm foundations for lasting peace. Of course, such a trend is by no means inevitable and therefore does not preclude the possibility of regressions towards states of greater antagonism between the leading powers. If a high degree of co-operative détente were attained, it would have supremely important effects on international relations in the economic and political spheres, and also at the national level. In this latter case, it would permit the formation and consolidation of democratic régimes and what he called "ideological decentralization", which, by breaking down the doctrinaire rigidity characteristic of the cold war, would make it possible to seek and more freely apply development strategies adaptable to the conditions and values predominating in the real life of individual countries.

## 3. *Economic development*

The second of Medina's ideals to which I want to refer is that of economic development. It would be particularly pretentious to attempt a synthesis of this ideal. A few marginal notes, at least, may be of some service. Medina was especially concerned with the cultural criticism of industrial society which flourished in the central countries as from the 1960s, and stressed all the

<sup>4</sup>See, in particular, "Latin America in the possible scenarios of détente", *CEPAL Review* No. 2 (second semester 1976). Also published in *La obra de José Medina Echavarría. op. cit.*



negative aspects of economic development.<sup>5</sup> However, he never allowed himself to be ensnared by the idea that it would be desirable to consider a future in which economic development did not play a central role. Following Heymann,<sup>6</sup> he drew attention to inescapable aspects of the supposed happy life of backward societies, throughout history, such as hunger, disease and premature death, which were the demons that economic development came to exorcise. He therefore regarded rational organization of the economic process as inevitable, with the primary aim of increasing wealth, which was the essence of economic development, but not without the maintenance of critical watchfulness, stemming from the conviction that, as demonstrated in the more developed societies, the logic of the process involved undesirable consequences, which could be anticipated and averted by societies that were following behind.

On the basis of this critical conception of economic development, Medina asked himself what characteristics the Latin American peoples ought to give to their own development, what might be the specificity of the Latin American orientation of development, and to what aspects special attention ought to be devoted. I should like to underline three points in his reply.<sup>7</sup>

First, Latin America should make an effort to change the anarchical and exploitative conditions prevailing in the international market; a question of the international co-operation to which I have already referred. Secondly, in human progress, social development should keep pace with economic development. Latin America ought to take time by the forelock, reorienting its economic development in the direction of equity without waiting, as happened in the developed countries, for this reorientation to be brought about over the long term, by way—as he used to say—of humiliation, conflict and fear. Moreover, social development should be envisaged not as a mere palliative making up for the negative aspects of economic development,

itself. By way of example, he often pointed out the importance of political and, in particular, educational conditions; educational development would make it possible gradually to close the scientific, technical and administrative gaps which were, in his opinion, the most important of the several existing between the central and peripheral countries.

Lastly, on the basis of the expectations shared by Weber and Marx, he underlined the importance of the efforts that had to be made to ensure that economic development would permit, at one and the same time, material prosperity and the emancipation of man; to which end the values by which economic development was guided would have to be integrated with other values, such as that of liberty: a task in which the spiritual power of the university should play a decisive role.

#### 4. Democracy and planning

Another of the ideals of importance in Medina's thinking, the third that I wish to mention, is that of democracy. He considered that democracy presented two main dimensions. Firstly, the validity of natural rights—civil, political and social—and of the rule of law by which they were sustained; and, secondly, the existence of full political and social participation. In several of his writings on democracy,<sup>8</sup> Medina campaigned in particular against a viewpoint of especially wide currency in development and modernization theories. This view presupposed, in the first place, the subordination of political to economic values, so that in formulating an overall conception of development, an endeavour was made to find the types of political organization that were compatible with the proposed economic development, rather than the other way around. It also presupposed that the aforesaid primacy of economic over political aspects was further manifested in the sphere of action; the pursuit of democracy ought to begin with the creation of its economic underpinnings, not with

<sup>5</sup>See "El desarrollo y su filosofía", in *Filosofía, educación y desarrollo*, Mexico, D.F., Siglo XXI Editores, 1967.

<sup>6</sup>See Edward Heymann, *Teoría social de los sistemas económicos*, Madrid, Ed. Gredos, 1970.

<sup>7</sup>See "El desarrollo y su filosofía", *op. cit.*, chapter v.

<sup>8</sup>See, in particular, "Notes on the future of the Western democracies", *CEPAL Review* No. 4, second half of 1977. Also reproduced in *La obra de... op. cit.*

the development of the values and institutions of democracy itself. Lastly, on the basis of a conviction that simultaneous attainment of economic development and of democracy would not be possible, and given the latter's unstable, incipient and immature character, it posited that the political systems best adapted to economic development would be those based on disciplined and, if necessary, authoritarian mobilization, immolating democracy on the altar of economic efficiency.

In his last years Medina constantly battled against this point of view. He saw no reason whatever for subordinating political to economic values, and believed that, just as it was possible to envisage a political system most appropriate for achieving a certain type of economic development, so it was equally legitimate to ask oneself what type of economic organization would be most consistent with the validity of democratic principles. It seemed obvious that specific economic and social conditions could have effects that were favourable to democracy, but the latter was founded on its own values, on what Medina called its "intangibles", which were in no degree the byproduct of economic and social conditions.

Liberal and democratic ideas had had their origin in the conception of natural law; they were of earlier date than economic development and independent of it; they had not been formulated in relation to it, nor were they intended to promote it directly. Therefore, over against the "materialistic" relation between economic development and democracy he set the "idealistic" relation, which stressed above all the value of beliefs and principles. Democracy must not, even temporarily, be sacrificed to economic development. Being a democrat meant defending its intrinsic principles here and now, while striving after their effective recovery. If institutional distortions existed, because parliament, the parties, the electoral system or any other of the institutions did not function properly, what should be done was to introduce the necessary reforms or changes in them, not to abjure the principles on which they were grounded. If an "overload" of demands were created as a consequence of increasing political participation, fostered by economic and social change, the solution did not lie in repressively stamping out any of

those demands, but in educating the people with a view to "bringing about a change in the attitudes —currently impaired or downright perverted— of individuals... with respect to the State".<sup>9</sup> If democratic pluralism gave rise to conflicts, it had to be recalled that "every liberal-democratic conception of the political system tends to accept as its point of departure the existence of opposing interests and ideological positions which cannot be finally reconciled at the dictates of an absolute truth possessed as such, but can only come to temporary arrangements, successively amplified to meet the needs of the moment, through agreements, compromise and mutual moderation of incompatible extremes".<sup>10</sup>

Medina's ideal of democracy is combined with that of planning. Historical development, in so far as it is a process relatively open to human decision, implies choosing between alternatives, and in the tasks of formulating, deciding upon and executing the options concerned, planning can and must play an essential part. In formulating his ideal of planning, he once again propounds some of his favourite themes: the hope of attaining an orderly and rational organization of society; the idea of planning as an instrument of social change which will increase and uphold liberty; and the Weberian vision of a disillusioned world in which the extravagances of instrumental reason threaten the freedom of man.

Democratic planning was, in reality, his ideal, and in very interesting passages of which I cannot speak now,<sup>11</sup> he draws a contrast between the bureaucratic, technocratic and democratic planning utopias, for the better support of his own ideal of democratic planning.

### 5. Concluding remarks

I should like to conclude with three additional remarks on Medina's ideals.

In the first place, for Medina his ideals represented the point of departure of the social

<sup>9</sup>*Ibidem*, p. 133.

<sup>10</sup>*Ibidem*, p. 127.

<sup>11</sup>To be found mainly in *Discursos sobre política y planeación*, *op. cit.*

scientist's work, not the point of arrival. He believes that his ideals are at once desirable and possible, but that analysis of actual situations and trends will invariably point to the distance between the ideal and the reality; and that it will also suggest which options would seem most likely to be practicable. In fact, study of the options open to human action on the basis of certain values, and of the degrees of feasibility of each one of those options, constitutes, in Medina's opinion, one of the principal tasks of social science: a social science which ought to be the compass by which to steer human action and the reconstruction of society in crisis. If it is to perform that role, social science ought to rid itself of three persistent defects. Firstly, want of rigour: that was why Medina always placed so much emphasis on its scientific character. Secondly, the belief that valuational neutrality is a prerequisite for scientific objectivity. The scientist must analyse and defend values, without lapsing into dogmatism or belligerence. Hence his idea of the scientist's responsible participation, based on an ethic of intellectual responsibility, in which the scientific attitude and commitment with social problems are combined. Thirdly, the tendency to formulate over-abstract and over-specialized theoretical constructs. Abstraction and specialization are, of course, necessary, but he recommends avoiding abuse of what he called "intellectual mountaineering" and "barren specializing". Thus, he ponders deeply on the approaches and objects of analysis that will enable sociology to provide integrated and concrete information.<sup>12</sup>

In the second place, Medina's ideals are manifestations of reason: expressions of the rationalization process with respect to historical trends, and of the ideal of the validity of reason with respect to values. Accordingly, from an abstract standpoint, examination of the conditions of possibility of the values Medina upheld was prompted by a vital question that was with him throughout his life. Writing in the early 1940s, he asked: "Is the intolerable state which our civilization has come to now susceptible of a rational cure? or must we surrender ourselves,

bereft of hope, to the mere interplay of blind forces?"<sup>13</sup> How can we cope with this chaotic disorder? How are we to resume the march of our history, without destructive upheavals?"<sup>14</sup> International co-operation, economic development, democracy and planning represent aspects of the two predominant kinds of reason, the formal or instrumental and the material or substantive. It would be impossible to expound even the main ideas of Medina on the subject, but at least it may be noted that while he was convinced of the positive role that reason could and had to play in individual and collective human activity, he was also aware of the obstacles that prevented the free exercise of reason, of the limits to what it could give us, and of the perils of its excesses. In his study of the chiaroscuro of the exercise of reason, he assigns a key role to interaction between its formal and material branches, a theme which of course I can do no more than mention here.

Thirdly, I should like to speak of his attitude towards his own ideals. Medina was a man very little given to noisy trumpeting in the defence of his ideals, but his life and writings clearly show that he was a man of strong convictions. Not even the disillusionments attendant upon the time in which it fell to him to live, or the pessimism that often accompanies maturity, sufficed to make a dent in his convictions. He knew the world too well to be an optimist, but he was likewise too convinced of the rational capacity of man to let himself be carried away by pessimism. His writings are full, at one and the same time, of affirmations of value, of somewhat disillusioned observations regarding the possibility of living up to them, and, lastly, of words of encouragement—to himself, I imagine, and to others—, of exhortation, despite everything, to keep the flags flying. Such a passage appears in *Consideraciones sociológicas sobre el desarrollo económico*: "There is always a last hope that, even at the eleventh hour, men may arise who are able to turn ineptitude into efficiency, who are capable, if need be, of performing a final, life-saving operation. On the other hand, the complete evaporation of beliefs, the utter moral collapse

<sup>12</sup>See, in particular, "Reconstrucción de la ciencia social" in *Responsabilidad de la inteligencia*. A study of our times. Mexico, D.F., Fondo de Cultura Económica, 1943.

<sup>13</sup>See "En busca de la ciencia del hombre", *Responsabilidad de la inteligencia*, op. cit., p. 29.

<sup>14</sup>See *Responsabilidad de la inteligencia*, op. cit., p. 16.

that may be implicit in the dissolution of faith—the all-pervading anomy of an entire society—can only lead to hopelessness and extremism. Anomy implies, at the most, mere selfish resignation, content to gratify its most “human” and immediate interests, and, at the least, escape to an “ivory tower”, represented, perhaps, by one of the great world religions. Let us, then, face

this possibility—as is fitting for adult mature beings—and at the same time let us cherish the hope, and, above all, the firm determination, that it will not be translated into fact.”<sup>15</sup>

<sup>15</sup>*Consideraciones sociológicas sobre el desarrollo económico*, Buenos Aires, Solar/Hachette, 1963, pp. 166-167.

# Political culture and democratic conscience

Enzo Faletto\*

The writings of José Medina Echavarría made a decisive contribution towards enabling a whole generation of social scientists, in the broadest sense of the term, to gain a more thorough grasp of the intricate realities of Latin America. His studies revealed an acute awareness of the radical changes with which our societies were confronted. In his book entitled *Consideraciones sociológicas sobre el desarrollo económico*,<sup>1</sup> which sums up his final reflections in the late 1950s and early 1960s, Medina postulated that a new cycle was beginning in the region, and that what was important and decisive from the sociological standpoint was an "awakening of awareness" with regard to the definitional characteristics of that new cycle. By this awakening of awareness he did not mean simply and solely the possible knowledge of the phenomenon that a handful of intellectuals might possess, although that too was a fact of extraordinary importance and Medina more than once underlined it. The awareness needed was that of society as a whole, since it would be called upon—as he hoped—to decide as to the options for its future, a task which could not be undertaken without a full understanding of the present.

For Medina the definition of the new cycle was nothing other than the development theme. Could we postulate today that the new cycle augured at the beginning of the 1960s has closed and that a new one has opened? Certainly, "innovations" of all sorts would seem to be the hallmark of our times, and the so-called second revolution, with all its implications, is not a matter unconnected with our present, much less with our future. Nevertheless, both the theme of development in its present forms or styles and the need to be alive to it, are still valid. But perhaps it may be worthwhile to stress the fact that nowadays the phenomenon is much more

complex. Of particular concern are the relations between development and democracy. While José Medina constantly drew attention to their complexity, many others took a perhaps over-optimistic view according to which a democracy would be the almost inevitable happy outcome of a sustained development process.

In the light of the foregoing remarks, we should like, within the framework of the present analysis, to work out a sort of counterpoint between the questions that absorbed José Medina's attention in the above-mentioned years, and those which are of concern to us today. As regards that "awakening of awareness" with which he was preoccupied, it should be emphasized that for him the crux of the matter lay in the political and social innovations which might come about, since the challenge that had to be met was the formation of a new society with new sources of power. For such a purpose nothing could be more important than what in his terminology he called "the movement of ideas".

The experience of recent years has caused much of present-day Latin American sociology to veer primarily towards the subject of democracy, in an effort to verify the existence or the lack of underlying values, since, as has been to a large extent demonstrated, structural conditions alone are not enough to guarantee that democracy will be accepted and made valid. Paraphrasing José Medina, it might be said that in this case it is a matter of inquiring into the "awakening of awareness" with respect to democracy.

To approach the subject in more concrete terms, reference may usefully be made to some studies published in a recent volume, compiled by Norbert Lechner and entitled *Cultura política y democratización*, and in particular to the studies by Julio Cotler, Angel Flisfisch and Oscar Landi contained therein.<sup>2</sup> It is noted in the introduction to the book that there is a crisis of con-

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<sup>1</sup>See José Medina Echavarría, *Consideraciones sociológicas sobre el desarrollo económico de América Latina*, Buenos Aires, Editora Solar-Hachette, 1964.

<sup>2</sup>See Julio Cotler, "La cultura política de la juventud popular del Perú"; Angel Flisfisch, "Consenso democrático en el Chile autoritario"; and Oscar Landi, "La trama cultural de la política" in Norbert Lechner (compiler), *Cultura política y democratización*, Santiago, Chile, CLACSO/FLACSO/ICI, 1987.

sensus, which in practice affects possible development strategies and the very idea of social change. This crisis of consensus makes it plain that—as has already been said—any specific order is not the mere result of what are commonly called “objective factors”. Essential for the subsistence of a social order is the existence of beliefs and values.

With even more justification may it be maintained that beliefs and values are the very groundwork of a democratic institutional system, since such a system cannot precipitately resort to coercion pure and simple.

There is no intention here of deducing from all this that in recognizing the importance of values and ideas, consideration of the “real” should be neglected, since many interpretations of the present crisis of democracy—existent not in Latin America alone—postulate that it is precisely the increased complexity of real life that calls in question the adequacy of the underpinnings of any democratic institutional system, i.e., of the political parties, parliament and the State as a whole. In short, to use what has become an accepted term, a virtual crisis of governability seems to be at stake. The thesis in itself is of exceptional importance, although one may not be in accord with the way in which it has been formulated by many writers, and still more, may disagree with the conclusions derived from the facts noted. Its importance is asserted because the effective existence of new constitutional régimes in Latin America has concentrated attention on the political moulds in which institutions are cast.

It is now time to make more concrete reference to an initial problem. According to one of the authors cited, namely, Oscar Landi—who is referring specifically to the case of Argentina—, there are two main threads in the new political behaviour pattern which are of outstanding importance as guides to the functioning of the parties: democracy as a social value, and moderation as a principle of political legitimacy. The author stresses the fact that the desire for modernization and the emphasis placed upon it is turned to account by parties and by individuals who show a political leaning as a means towards marking the desired break with the past.

The question now to be asked is whether these two themes that are important for

present-day political life in Argentina—modernization and democracy—are equally so in other contexts. In the studies by Cotler and Flisfisch, the former relating to Peru and the latter to Chile, some doubts are raised in this connection.

However, before actually referring to the studies in question, it may be necessary to indicate for reference purposes the political significance of modernization as a value: a type of reflection which would undoubtedly have been dear to José Medina. How sound is this postulate on modernization? Is it explicit enough to serve as the basis for a new option? Certainly, as Landi notes, it may be useful for establishing a cleavage with the past, or at least for marking a strong desire for something different from an experience which is regarded as negative and which there is no wish to repeat, but is it clear enough to serve as the foundation for a future?

In one of his studies, José Medina pointed out something to which in our own reflections we have not always given, apparently, all the importance for which it calls. He said that in Latin America perhaps the last doctrine that had constituted a sufficiently broad general orthodoxy had been positivism. After that, he said, “came a sort of witches’ sabbath of the most diverse, contradictory and extravagant ideologies and influences”.

The close relationship that existed between positivism and the idea of modernization is common knowledge. Consequently, the next question arising is: On what body of ideas does this—the present-day— notion of modernization rest? Of what nature is its internal coherence?

Suffice it for the moment to pose this question, perhaps to provide a motivation for urgently necessary research which not only will require the aid of the social sciences but also, strictly speaking, ought to be the object of philosophical reflection in the precise sense of the words.

Closely linked to the foregoing theme, is another of no less significance: that of the intellectual. Commenting on John Friedman, Medina noted three main functions of the intellectual in developing countries: a) to disseminate new social values; b) to work out a new economic development ideology; and c) to take part in the creation of a national image.

If the different experiences that history records are taken into account, it cannot but be agreed that such, in many instances, has been the role of intellectuals, irrespective of the greater or lesser success achieved. In this connection another field of inquiry can be opened up, with the same intention as lay behind the preceding questions, i.e., that of indicating areas of research rather than hastening to give replies which would be somewhat precipitous. Specifically, it might be wondered whether perhaps the Latin American intellectuals of today are in a position to create a coherent image of modernization which in turn would constitute a new economic development ideology.

There are many possible avenues of approach to this problem, but it would be useful to examine in depth a paradox formulated by José Medina as follows: "during the years that are witnessing this weakening and dispersal of beliefs—in the last decade or so in particular [he is referring to ideologies in a broad sense]—conversely, and with no less vigour, a remarkable strengthening of knowledge, that is, of real and potential information, is taking place". Carried to extremes, it might be said that the theme—of Weberian *bouquet*—consists in determining what is the relation between knowledge and political action at the present time and consequently, what is the relation between the intellectual and politics.

In short, the point is to ascertain whether a body of positive knowledge really exists which can, for example, impart to the idea of modernization—so important for the political option—a real degree of concretion.

Continuing the counterpoint between the topics currently of concern and those to which José Medina drew attention in his day, let us recall the stress that Landi laid on the importance of the idea of modernization as a useful means of marking a distance from the past, a concept of break-away which was also important in Medina's thinking. In his case, the break was with a traditional Latin American system, and resulted from the collapse of its main pillar: the hacienda system. To this phenomenon, and in close concomitance with it, was added the rise of new social groups and an active presence of the masses. All this called for the creation of new political parties—since those of the elite were

no longer sufficient—and likewise for the presence of new leader groups.

This is not the place to reproduce José Medina's brilliant analysis of the sociological significance of the hacienda. Suffice it to recall what in his opinion were its essential features: a) it had been a cell of political-military power together with the economic power which it unquestionably possessed; b) it had formed the nucleus of an extended-family structure which through its ramifications impregnated the whole body of institutions and powers of the society; c) it had constituted the circumstantial model of authority; and d) it had been the creator of a human type of unique "character".

In the language of today we might say that the hacienda was the basis of a culture, and for our purposes we might emphasize that in a very special fashion it was the basis of a political culture. What Medina noted was the break-away from the old and the rise of the new, in which the new was represented by the city (not that it had been of no importance before), the entrepreneurs, the middle classes and the workers.

Here attention should be drawn to two considerations: in the first place, modernization is based not only on the system of ideas but also on the existence or emergence of new structures and on a system of social relations concomitant with these; and, secondly, research should be carried out in depth on the character and evolution of Latin American cities. Of course there are some studies, especially by historians, already in existence, and on the basis thus provided an attempt should be made to formulate an interpretative hypothesis of as far-reaching scope as those suggested with respect to the significance of the city in European history. It should be remembered that in this context, "citizen" means "man of the city" and that citizenship, with all its cultural, economic and political implications, is a fact linked to the existence of the city. It is appropriate, therefore, to clarify what the city has meant in Latin America as the basis of a new political culture and in particular, as the basis of a democratic political culture.

Julio Cotler, in the above-mentioned study on Peru, analyses the experience of the young people from the Sierra who have moved into Lima since the 1970s. Of course, this is a specific case, but perhaps it might be possible to sketch

some generalizations applicable to other Latin American contexts if we were to consider a "type" of city which for want of a better title we might call a "hostile city".

It was observable that these young people, in the popular sectors, undergo a process of learning to organize themselves around specific interests. According to the author, their forms of association are strongly defensive, whether of their neighbourhood, of their housing accommodation, of their wages, of their jobs, of education, of health, of transport, or of any other interest. But what is important is that these mobilizations which give rise to new organizational patterns are not necessarily correlated with institutional modalities of political incorporation.

The fact is interesting because the result, unexpected at times, may take the form of a strengthening of traditional political behaviour patterns. Thus, it can be noted that practices of the clientele type reappear and gather energy, their essence consisting in promises of political support in exchange for protection or services rendered.

It would seem that the clientèle system reinforced certain kinds of relationship based on subordination and on strictly personalized loyalty. Nevertheless, simultaneously with clientèle practices the existence of a behaviour pattern based on confrontation and violence can be noted, and what must be underlined is that this latter is considered by those who exercise it as a valid means of winning the rights of citizenship. Cotler does in fact remark that "popular youth has incorporated into its political culture two apparently contradictory practices ... but has learnt to handle them simultaneously or alternatively". In the first of these practices, of a manipulatory character, the traditional ties of patronage and clientage acquire outstanding importance, and in the second, which is perhaps no less traditional, emphasis is placed on confrontation, so that every demand is urged — to use the expressive slogan — "hasta sus últimas consecuencias" ("come of it what may"). With respect to this latter dimension, it should be pointed out that such practices are accompanied by what might be considered almost a moral repudiation of every type of compromise or negotiation. This does not mean that compromise or negotiation never exists; what is serious is that it does not figure as legitimized.

In a context such as that just described, it is obvious that the democratic formula is robbed of significance, since it might be said that behaviour of this kind almost negates the possibility of setting up institutional machinery for political mediation, and casts doubt even of the capacity to reach valid compromises.

From all this the obvious deduction is that experience of a "hostile city" —and by that must be understood a whole set of social relations— can hardly form the foundation of a democratic culture. But alongside such situations as this, of which we have cited only one example, there are other elements which strongly influence the phenomenon and which should be taken into consideration.

The study by Angel Flisfisch reproduces the data obtained through a survey whose findings are far from encouraging. As regards orientation towards a democratic régime, this is 59.5% positive and 40.5% undecided or indifferent. In the same survey, 51.5% of the respondents pointed out certain negative features of the political parties, and no one can be blind to the significance of these for the operation of a democratic system or to the importance of their positive valuation. With respect to the degree of interest in politics shown by the respondents, 25.5% expressed much interest, 33.3% little and 41.2% none at all.

Any interpretations of the findings of a survey or observations that may be made on the terms in which it is formulated are always debatable; in this case, however, it cannot be said that the data in themselves are encouraging, for which reason they are a source of disquiet as to the degree of social support for a democratic option.

However, it is interesting to note, as does the author, what happens when a distinction is drawn between those who possess a high or a low degree of "political sophistication", which in the survey is taken to mean the capacity for forming political concepts and the possession of a certain level of information on politics. In those whose degree of "political sophistication" is high, orientation towards a democratic régime is positive in 77.4% and negative in 22.6%. In contrast, where "political sophistication" is low, democratic orientation is positive in 49.2% and negative in 50.8%. In accordance with these results, it would not be hazardous to assert



—given that one of the important components of political sophistication is information— that in a population politically under-informed democratic sympathies are unlikely to be generated and what is worth emphasizing is that the existence or lack of such information is not unconnected with certain forms that power relations often assume in a society.

Obviously, notwithstanding what has been said, other situations exist in Latin America in which there appears to be a stronger consensus in favour of democracy. Allusion was made at the outset to Oscar Landi's study on Argentina. It is common knowledge that in this case two major political parties exist, each of which has its own historical traditions; it might even be said that both possess electorates whose central nucleus is different, but that they present profiles which—according to some analysts—are no longer so mutually exclusive as they were in the past. The author's hypothesis is that this greater similarity is due not to the fact that the society concerned is

more homogeneous, as might be the case in Europe, but rather to the emergence of a will to rearticulate a fragmented society.

It might be postulated that, as the result of a previous traumatic experience, a political culture is being constituted which has a greater tendency to find consensual elements. A question would then arise as to how far this consensus is likely to be firm and lasting. Even so, consensuality itself is not without its problems, which are noted in the article under discussion. In the conditions described, the option between one party or another may be the result of a purely tactical vote or of an electoral behaviour which signifies the reward or punishment of a given political conduct. This might lead—to exaggerate a little—to a conception of politics as administration pure and simple, and therefore to its virtual bureaucratization: a trend which would make it essential to re-state some of the themes in the Weberian tradition which were of such great significance for José Medina.



# A hopeful view of democracy

Jorge Graciarena\*

## I

### Medina Echavarría's concept of democracy

More than a decade ago, in the year of his death, what was to be José Medina Echavarría's final essay was published in the *CEPAL Review*. With his customary modesty, he referred to this article as "notes" on the future of democracy, even though the way in which he approached his subject and the scope of his analysis make this one of his best-conceived and most powerful works. Certainly, it was a subject that was very near to his heart for a number of reasons: his status as an exile from Francoism, his deeply liberal intellectual calling and his personal character, which was proof against any lapse into authoritarianism.

As Adolfo Gurrieri has reminded us, the subject of democracy made its first appearance in Medina's work in connection with his studies on economic development at least as early as 1960. Subsequently, he touched upon the topic a number of times in various essays on the universities, planning and policy, and other subjects. The topic thus never ceased to figure among his chief interests, but he nonetheless did not deal with it on a comprehensive and systematic basis until his 1977 essay,<sup>1</sup> which, by virtue of its nature and scope, may be regarded as his intellectual last will and testament.

Medina wrote this article during what were difficult years for democracy, years marked by an overwhelming presumptuousness that subordinated the future attainment of democracy to the operation of market laws in line with neoclassi-

cal doctrines, which blurred the distinction between citizens, on the one hand, and, on the other, consumers who acted upon their preferences and exercised their sovereignty by choosing among economic options. Democracy was also, however, subject to the tutelage of a military power which felt it necessary to protect democracy from its congenital weaknesses. Without endeavouring to directly refute the arguments then in vogue in the Latin American countries governed by authoritarian régimes, Medina chose to address the subject in a way which stressed the sociological, political and historical foundations that have upheld the idea of democracy and its practice, not only as a political system but also as a form of harmonious social coexistence.

According to Medina, democracy involves three basic elements: a recognition of the individual's inalienable human rights, the primacy of political freedom exercised by an organized citizenry and, finally, social equity as a form of distributive justice. These elements encompass the civil and political liberties, as well as the social and human rights, which economic liberalism excluded by omission. For Medina, the distinction between the two approaches was a clear one and became even more so when considered, as he did in the article we will discuss here, within the context of their politico-philosophical foundations and historical backgrounds. When it came to choosing between the two, Medina unhesitatingly opted for political freedom, even at the risk of slighting the economic freedom of the market, and he did so because he firmly believed that the supreme value of political democracy in terms of human coexistence lies in the fact that only it can guarantee the complete ascendancy of natural human rights, civil liberties and social rights.

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1. J. Medina Echavarría, "Notes on the future of the western democracies", *CEPAL Review*, No. 4, second half of 1977. This essay was included in a selection of his works entitled *La obra de José Medina Echavarría* (selection and introductory analysis by Adolfo Gurrieri), Ediciones Cultura Hispánica, Instituto de Cooperación Iberoamericana, Madrid, 1980.

The page numbers cited in parentheses after the quotations appearing in this article refer to the former publication.

Medina's references to John Stuart Mill in various parts of the essay and especially in the final quotation illustrate how much he agreed with Mill as to the fact that democracy resides in human beings; if an authoritarian State diminishes man, it "will find that with small men no great thing can really be accomplished". Medina went on to observe that this "conviction of the classic champion of liberalism, shared by other thinkers of similar stature, exalts the supreme meaning of politics and the decisive value of the human element in shaping a lasting social order" (p. 136).

Thus, perhaps without even intending it as such, he left us a priceless and enduring legacy, as may be appreciated each time one turns back to this brief text, which addresses all the major issues that have always fueled the debate concerning democracy.

Before going into some of Medina's central ideas on this question, however, we should first examine his concept of democracy. His views were neither normative nor idealistic, inasmuch as he regarded democracy as an open and ongoing process that would never be fully crystallized or take on a single and final shape. "The organization of democracy as participation by the people depends on higher requirements relating to the meaning of life ... itself." There is nothing either of metaphysics or transcendentalism in this statement. Medina saw democracy as part of the secular order and therefore as a societal condition which could be continually refined by means of politically-generated and judiciously-implemented reforms, i.e., reforms based on "the creation of new techniques of social organization which do not, however, claim to offer definitive solutions" (p. 132). Democracy could thus, in a strict sense, never be turned into a dogma because the mere attempt to do so would distort its very nature.

This philosophical stance gives his analysis a highly flexible dimension and saves it from pessimism when the moment arrives to consider the obstacles which divert the democratization process from its essential objectives. More than a political régime, democracy was, for Medina, a social way of life based on principles which form an inseparable part of it: natural human rights, civil and political liberties and social equity. He saw it as being a question of the "supreme values

of a form of human society which has a real significance for man and his community" (p. 134).

Certainly, however, Medina understood that democracy as a social and political order is not free from tensions and conflicts among the various sectors and social classes of which it is composed. "Consequently, every liberal-democratic conception of the political system tends to accept as its point of departure the existence of opposing interests and ideological positions which cannot be fully reconciled at the dictates of an absolute truth possessed as such, but can only come to temporary arrangements, successively amplified to meet the needs of the moment, and worked out through agreement, compromise and mutual moderation of incompatible extremes" (p. 127). He therefore saw the inevitability of conflict as a positive factor, since having suitable institutional means of mediating and ultimately resolving conflicts was one of the functions of democracy.

As part of this concept of democracy as a progressive process by which expression is given to certain values, a process incorporating dissent, pluralism and conflict as central elements in its makeup and internal dynamics, Medina also ascribed a specific meaning to the idea of crisis as such. In the midst of the various interpretations suggested in the course of the debate as to the meaning of a concept that plays such a pivotal role in the examination of concrete situations and historical processes, Medina asserted that the term crisis refers to a "particular stage in the evolution of a system which is marked by sufficient symptoms of vacillation and disturbance to indicate a state of transition, ruling out neither the recovery and reinvigoration of the system or its final disintegration and collapse" (p. 119). All crises have a temporal dimension involving a history ridden with "difficulties already observed in the immediate past and therefore in the present day" which also includes their "prolongation into the future". In other words, any crisis must necessarily resolve itself in one of the possible ways alluded to above, one of which is, certainly, the continuance of a stationary state that, while not involving either any progress or any retrogression, does entail some degree of internal recomposition of the system in question. This is why crises are never a static

phenomenon but instead signify, above all, movement, a process of transition, a shift in some direction towards a different state. Although Medina's choice of terms might be misleading in this respect, his concept is not evolutionist in the sense of entailing an *a priori* assumption that progress will be made towards a

desirable end. His idea of crisis as an open-ended transition is particularly relevant and thought-provoking when applied to the analysis of the actual situations created in the course of the redemocratization processes pursued by the Latin American countries which have entered into a new political stage in recent years.

## II

### Economic development and democracy

From the very outset, Medina addressed the issue raised by the widespread presence of "authoritarianism" in Latin America<sup>2</sup> and undertook a concise exploration of its nature and of the explanation put forward to justify it. He observed that there were two schools of thought that merged into a broader question, and it is this latter issue which constitutes a common thread running throughout his essay. The first interpretation is the economic one, which attributes authoritarianism to underdevelopment and contends that the drive to overcome underdevelopment will inevitably entail a period of authoritarianism since, without it, the first steps along the economic road to development cannot be taken. According to this line of thought, once these steps have been taken and a certain level of modernization has been achieved, it will then be possible, given the existence of other conditions, for a democratic political system to be gradually established. The other interpretation emphasizes political considerations, arguing that the problem is to be found in the State and in its inability to reconcile opposing interests, mediate conflicts and take appropriate decisions for setting up a well-defined policy to promote development. While Medina regarded the latter explanation as being more plausible than the former, he did not embrace either of these one-sided (the economic or the political) views. Instead, he asserted that "both interpretations, if they are to be valid, must be completed by a

detailed analysis of the historical and social processes that have taken place in each case" (p. 114). Consequently, developmentalist authoritarianism is not necessarily something which can be defined, on an *a priori* basis, as being engendered by underdevelopment.

The central element shared by these two main interpretations could thus be said to be that they both postulate the existence of a close type of "kinship" between economic development and democracy on a deterministic basis. In this and earlier essays, Medina energetically rejected the necessity of such an association, especially when it was seen in terms of a cause-and-effect succession whereby democracy would be contingent upon economic development. In his opinion, past experience indicated that these two processes could follow parallel and even converging courses but need not necessarily do so, since either could exist without the other. One piece of supporting evidence in this respect is the fact that authoritarian developmentalism has often shouldered democracy aside, thereby denying it a role in the various "economic miracles" of recent decades. On the other side of the coin, there are also cases of stationary economies existing in combination with stable democracies, as occurred in Uruguay during the almost 20 years between the mid-1950s and 1973.

Having clearly delimited the relative independence of these two processes, Medina elaborated upon his line of reasoning, since for him it was evident that development and democracy are in no way mutually exclusive either. On the contrary, a complex network of interrelationships binds the two together, as is illustrated

<sup>2</sup>All the South American countries except for Colombia and Venezuela were governed by authoritarian military régimes in 1977.

particularly clearly by a thorough analysis of specific situations. Indeed, he noted how much economically-rooted social tensions and conflicts are eased in highly developed societies in which personal incomes are relatively large and not too inequitably distributed. This does not, however, necessarily mean that one process depends upon the other, but rather only that democracy tends to become consolidated in capitalist societies in which an abundance of consumption gives rise to an apathetic type of conformism and a passive adherence to an electorally-annointed political leadership. Nevertheless, to begin with, the most important thing was to disprove the argument that the road to democracy excluded the possibility of development. This authoritarian concept was primarily based on a negative assessment of the populist movements of the 1950s and 1960s, which had been presented as democratic paradigms that were synonymous with chaos and a threatened social order. It was therefore imperative, first of all, to put things in their proper place.

Nonetheless, Medina's analysis of the correlation between economic development and democracy was quite pliant in that he allowed for transitory contingencies. "Let us provisionally admit that the correlation does show a temporary validity in relation to the historical juncture at which it has been observed" (p. 124), i.e., for the time being and to a limited extent. This analytical context also encompassed "the demoralizing effects of both inflation and recession on political consciousness —[with] the strength of the impact varying in the different social sec-

tors", which gave rise to conflicts that, as they worsened, placed serious difficulties in the path of attempts to find a political solution within the framework of a pluralistic democracy. Even so, Medina felt that the impact and continuity of political habits and traditions accounted for the capacity exhibited by the central democracies to deal with the difficulties they had faced, noting that some of these democracies "have kept going with exemplary vigour during the recent years of economic recession". In exploring this issue (which is only very briefly reviewed here) and other related questions, Medina made a point of outlining the independence of political institutions and their autonomy in respect of deterministic economic constraints. While it is true that democracy functions within the framework of a given social and economic structure and historical background, it is also true that the extent of its autonomy is such that its makeup and functioning cannot be fully explained in reference only to the pertinent historical/structural factors. Medina regarded the political rationale of democracy, based on participation and a widespread consensus concerning policy design and implementation, as being sufficient and appropriate for the solution of the problems arising within the historical context. If a democracy were to collapse, it would therefore not be a direct consequence of economic stagnation or of any intrinsic weakness on its part, but rather of social upheaval and of the internal and external conflicts sparked by such unrest which the rule of law and its institutional mechanisms had been unable to resolve.

### III

## Capitalism and democracy

Underlying observable events and processes, however, there is a deeper issue which subsumes that relating to economic development. This issue concerns the long-standing connection between capitalism and democracy by which the economic and political sides of the question are interwoven a single system. Ever since its beginnings, it has been difficult to make democracy

fully compatible with capitalism, the latter being understood as a certain way of organizing economic production and society. A never completely harmonious form of coexistence has been the rule in the history of capitalist development and of the spread and establishment of democracy, which only belatedly attained what might be characterized as a mature state in the central

capitalist countries. However, this accommodation has invariably been achieved by forcing democracies into a kind of "Procrustean bed" so as to make them conform to the needs of capitalism in each of its successive historical phases. This does not, however, mean that a coalescence has taken place whereby democracy has been reduced to nothing more than a mere appendage of capitalism or, in other words, that it has been converted into a capitalist democracy. For Medina, this position was unacceptable: democracy has its own *raison d'être*, its own legitimacy which is not subsumed into that of capitalism; nor is it to be supposed that capitalist society is the only type of society which can uphold democracy as a political system and way of life.

If these two historical forms cannot be made to converge naturally, however, then this will be achieved forcibly, through the predomination of that form which has proved to be the most vigorous in Western civilization and, hence, to be most able to impose its own terms. The following quotation illustrates the nature of such an accommodation: "According to the theorists of the democratic political patterns proper to late or more mature capitalism, the entire system, concerned solely for its own stability, uses an institutional complex whose one and only objective is the loyalty of the masses, i.e., simply to be able to secure a state of apathetic obedience which is functionally satisfactory" (p. 129). And this passive conformism is achieved at the expense of full democracy, by means of disinformation, political propaganda, ideological pressures, consumerism, religious fundamentalism and other cultural methods of countering political motivation and mobilization. The outcome is a functional sort of legitimacy, whether or not consciously conferred, which perverts the true meaning of active citizenship, the ultimate foundation for democracy as a form of popular participation.

In the 1970s, when Medina wrote this essay, a great deal of interest was being aroused by the discussion going on at that time concerning the gradual and irreversible decline of the expansion of the central economies and, by extension, of the underdeveloped periphery as well. This was the period following the major oil crises, when attention was reluctantly and fearfully riveted on the population explosion and on what was seen

as the probable and imminent depletion of the world's main natural resources, as the experts speculated about "the possibility of remaining becalmed ... in a stationary economic situation" (p. 133). Much was being written about zero growth and its possible medium- and long-term implications for the structure and functioning of society and politics.

Some authors set their ideas and conclusions within the framework of civilization itself. R.L. Heilbroner, whom Medina quoted frequently, had written a number of highly influential works in which he postulated the forthcoming "decline of industrial civilization". This thesis, with some slight variations, was shared by the neo-Marxists, who felt that it was not industrial but rather capitalist civilization which was on the verge of collapse. Both of these schools of thought predicted that these events would occur well into the next century, when the elements and factors at work would, they thought, have achieved their full impact and have helped to produce the situations they foresaw.

This exceeded the time frame considered by Medina in his essay, which, strictly speaking, was not a prospective study. Nevertheless, this futurological debate suggested some ideas which he felt were pertinent to his analysis of the democratic process and its immediate future. As indicated earlier, he would not accept any interpretation which would subordinate democracy to any given economic form, whether it be industrial or capitalist. Political democracy was capable of accommodating a varied range of economic and social forms based on relatively different principles of production, appropriation and of the distribution of economic goods, although, of course, its scope was not unlimited.

This is why he felt it necessary at this point to clarify a matter which would make it possible to draw a distinction between democracy and its economic foundations. Although he had mentioned this question earlier, it bore repeating at this juncture in order to lay such predictions of catastrophe to rest. "*Vis-à-vis* the doctrine ... that the legitimacy of the democratic régime is identical with the success and efficiency of the economic system, a vigorous reminder is needed that the type of domination which characterizes the modern State and which in one way or

another upholds both its liberal elements (political rights) and its democratic features ('representation' as a legal faculty) has its origin in the evolution of ideas on natural law before and after the dawn of the modern epoch ... Accordingly, no essential relation links the development and historical consolidation of the modern constitutional State and its subsequent democratic structure with the specific conceptions of the capitalist system, and consequently neither the rule of law nor the institutional crystallization of the egalitarian aspirations of democracy has been formulated or defined as a function of what we now call economic development." In order to reinforce this argument, a few lines later Medina

added: "The history of Europe is a clear case in point, since poverty was no bar either to the ardent desire for democracy or to the gradual improvement of the footing on which it was established. The history of the various parties, of their doctrines, and of the steady formation of political habits and traditions, has its fount of inspiration in some of the European countries" (pp. 124-125). In sum, democracy is an independent political phenomenon whose historical fate will not necessarily be determined by the economic form it takes, and this has been so since its very beginnings. Its fate is therefore not necessarily tied to that of present-day civilization, be it industrial or capitalist.

#### IV

### Democracy and technocracy

In discussing the medium-term prospects for development in the Western countries, Medina agreed with the optimistic view expressed in the report presented by W. Leontief to the United Nations, which foresaw continued growth in these economies for "two or three decades", i.e., until the end of this century. With this growth scenario as a backdrop, Medina asked himself what the presumable outlook might be for the great industrial democracies in the near future (p. 115). This question goes hand in hand with another which may be regarded as crucial for the future of democracy: "Will it be possible for liberal democracy to survive in economic and technical conditions very different from those hitherto prevailing?"

These questions usher in an attempt by Medina to address an issue of deep concern to him: the possibility that technical considerations could ultimately dominate all the major spheres of social and political life. The steadily increasing prominence of instrumental criteria, to the detriment of considerations based on a substantive rationale, could result in the adulteration of the underlying and essential meaning of the idea of democracy, which is chiefly practised within the realm of politics and through political means. In this connection, Medina noted that a civilization

would be irremediably threatened if an instrumental focus were to become the only prevailing rationale. In another section of his essay, he made a categorical statement which is worth quoting in full because it sums up the meaning which he attributed to democracy: "Philosophical criticism ... [has] emphasized and perhaps demonstrated the aberration implied for civilization by the predominance of the instrumental rationale. The practical or perhaps historical rationale upon which depend the values people look to in everyday life —ethical and aesthetic values, values relating to community support and fraternity— has been increasingly dimmed by the instrumentality of the relation between ends and means in science and technique, in economic development and in the technocratic expertise brought to bear on political decisions, leaving the ordinary human being painfully frustrated in his most intimate and most vitally essential aspirations. All the personal —i.e., psychological— '*malaise*' of our time stems from the combination of the alienation imposed by institutions subject to the instrumental rationale with the anomie bred of the frustration of personal values" (p. 130).

This is the chief threat to democracy posed by the present civilizing process. In "a civiliza-



tion increasingly dominated by scientific knowledge ... science and technique would constitute the dynamic force of such a future ... Would it be meaningful to speak of the survival of democratic organization in such a society [which is—it must be recalled—an essentially political form of organization]?" After reviewing the neo-conservative arguments concerning the "end of ideologies" and the "death of utopias", Medina observed: "Some people are beginning to see politics as a mere illusion" (pp. 130-131).

It would surely be a futile exercise to try to imagine a democracy in a world bereft of an explicit and pluralistic form of politics, in which even the most sweeping and important decisions were seen as a technical question and thus as the exclusive preserve of technocrats and their expertise, with the representatives of the political citizenry being entirely bypassed. Medina was very clear on this point: "Neither the rule of law nor the concept of democracy can be reduced to the status of mere instruments ... the future of Western democracy depends on whether it can find itself again."

It is very important to understand that Medina did not, in respect of this or any other topic, argue against science or modern technology. On the contrary, he took a highly positive view of today's scientific and technologically-based industrial civilization. What he feared were technocratic excesses and the arguments advanced by ideologues for the supplantation of politics by technical considerations and, hence, the replacement of government as conducted by political representatives of the citizenry with

government by specialists and experts. This technocratic approach, which was energetically espoused in the mid-1970s, was gaining ground in academic and international institutions and in powerful and influential civilian and military circles. Indeed, it became the predominant ideology of the authoritarian phase of capitalism of that time and its influence was felt not only in the countries then ruled by military régimes but also in nations which managed to maintain their civilian governments. This is what moved Medina to refute this argument, which he did by attacking it at its very roots.

Despite these "ill winds", Medina's faith in the future of democracy was unshaken. He firmly believed that the human values embodied in democracy could not easily be swept off the stage of history. "... great importance is of course attached to [trends] of a strictly technological character [as regards the present and future of democracy]; but undoubtedly the keenest concern is for the future lot of humanity, ... for the extent to which the values that are still considered essential to civilization are destined to flourish or to founder" or, in other words, the supreme value of the freedom of the individual; the values upholding society which are based on solidarity, fraternity, equity, justice, participation, identity; and the forms of development placed at the service of human liberty and dignity (pp. 115, 117 and 120). These were the values which, in his view, constituted the foundations of democracy and which he saw as being threatened by the "technification" of the world, of society and of people's lives.

## V

### Corporative powers

Political representation is an essential element of both the classic and modern forms of democracy because it ensures the participation of the citizenry in the taking of decisions and in controlling their implementation. After reviewing some of the difficulties encountered by parliaments and other bodies representing the people as regards the effective exercise of the demo-

cratic powers of initiative, the reconciliation of interests and conflict resolution, Medina admits that there have been obvious shortcomings in the way these powers have been constituted and used. Presumably, in a representative democratic system, the gap separating actual individuals from the abstract State should be bridged by the parties and the deliberative bodies established in

accordance with political constitutions. In various aspects, however, this representational coverage has fallen short of what is called for both by democratic doctrine and by political practice in order to ensure that the democratic system will operate as it should.

The resulting representational void is manifested in at least two forms. The first of these is the questioning of the legitimacy of the democratic political régime, which is seen as an ineffective means of representation. According to democratic doctrine, one of the functions of such a régime is to give effect to the "alchemy" by which social interests are transmuted into political demands. When this is not done, the system suffers from what are sometimes serious failings, failings that alter the way in which the political régime functions and, what is worse, produce a representational deficit which prompts people to resort to their own means in order to cover. Secondly, it is manifested in the multiplication of "*corps intermédiaires*" representing specific social interests; this phenomenon undoubtedly stems from the increasing complexity of the relationships between society and politics. This is not in itself harmful to the democratic system, but it can be if these intermediate bodies tend to fill the representational void that has not been satisfactorily covered by the political régime and, in doing so, act on behalf of social interests without, however, politicizing them, i.e., without submitting them to the screening process carried out by the bodies, parliaments and parties which perform a representational function in a democratic political system. Even if they are presented directly to the government and the State, however, when such social interests have powerful backing, they tend to set up non-democratic alternative channels of representation.

Major social interests are corporatively represented when they are championed by large bureaucratic organizations which then bring these interests to the attention of public authorities without going through any intermediary and, hence, without integrating them into politically representative bodies. This gives rise to a dual representational system made up, on the one hand, of political channels and, on the other, of corporative agencies. It could be asserted that this duality has always existed alongside the

party system and has served to complement the latter to varying extents. Furthermore, it is obvious that, in the past, it has never been the case that all social interests have been politically represented. The issue thus begins to take shape, firstly, as a question of degree, of the relative significance of the social interests taken outside the realm of the political régime and, secondly, as a question of the autonomy of social representation, inasmuch as when such representation tends to become relatively independent of the political system, the difference then becomes a substantial one. Power thus becomes heavily concentrated in groups outside the domain of the State, giving rise to complex societal configurations such as those described as "polyarchical" by Dahl or as "polycentric" by García Pelayo. These major enclaves of power are formed by economic and financial groups, employer federations, labour unions and ecclesiastical and military institutions which provide their own representation and which are generally reluctant to submit to the dictates of the political authorities of the citizenry and of the State as the representative of the law.

When corporative powers gain an increasing amount of operational autonomy, the relationships between social actors and citizens of the polity reflect a dissociation that works to the detriment of the party system and political representation and to the benefit of large economic and social corporations, which act on behalf of the most powerful interest groups in the society. This tension, in its most condensed and significant form, reflects the present structural and systemic incongruencies between liberal democracy and capitalism, which, historically, have never been resolved to the full satisfaction of the former. Now as before, the coexistence of the two has been achieved by adapting democracy to the structural matrix and to the logic imposed upon it by capitalism at each given stage in history.

This new type of social power structure, whose influence extends into politics (in recent years referred to as "neo-corporativism"), was discussed early on by Medina in his analyses of the newly-emerging characteristics of the bureaucratization and technocratization processes, a subject which he explored in depth in his essays on planning. In his article on demo-

cracy, he introduced yet another important topic in this connection when he discussed the formation of pyramidally-structured meritocracies based on a type of élitism tending to result in the oligarchization of the corporative leadership.

This subject, which was dealt with by R. Michels in a now classic work on the European countries, has attracted a great deal of interest in the region because these processes have begun to have an extraordinary impact on the political processes involved in the transition to democracy. Indeed, the corporatization of the social representation of major sectoral interest groups is manifested in the growing power of the corporative structure *vis-à-vis* a weak State presiding over a democratic political system which has not finished rebuilding itself and which, as a result, is accorded a limited degree of legitimacy. A plurality of corporative forces, which frequently form alliances despite the divergent interests they represent, is thus progressively encroaching upon the political sphere and exerting a sometimes decisive influence on governmental policy measures.

The civilian and democratic States formed in the wake of authoritarian régimes are still precarious in their makeup, suffer from a lack of authority, are generally inefficient and project an image, both of themselves and of the political parties and political activity, which contains the undeniable elements of confusion characteristic of a transitional phase. The differences between the relative amounts of power wielded

by the two are, however, not only the product of the limitations of the democratic political authorities, but are also due to the fact that, during the preceding authoritarian régimes, corporative forces gained new ground which they have thereafter been unwilling to relinquish. Furthermore, the receptiveness of these new social power structures to democratic practices is either very slight or entirely non-existent, depending upon the type of interest groups they incorporate.

Medina brought up these points in discussing the "breakup of democracy" in connection with the "crisis of governability" (S. Huntington) and the idea of a "blocked society" (D. Bell). The possibility of an "overload" of chaotically-presented social demands, in the former case, or of a paralysis of the political system, in the latter, seriously hampers decision-making. In a society marked by these characteristics, the political system is eventually immobilized by the action of powerful antagonistic forces. Although Medina did not espouse these hypotheses in the form in which they were expressed, he did not conceal his concern as to their possible implications for "the whole essence of democracy as political participation". He went on to stress that "in the democracy of today the traditional sense of 'citizenship' is the most important thing to save, even from the perils of what are often generous attempts to perfect it". In other words, Medina placed the utmost emphasis on the primacy of politics as a decision-making forum without which democracy would be inconceivable.

## VI

### Crisis and the transition to democracy

Insofar as possible, Medina's attitude was optimistic whenever there were grounds for being so, invariably constructive and highly realistic. This positive outlook is clearly evidenced in his analysis of the future of democracy in the region, considering, of course, the assumptions on which it was based. "If it is true that the foreseeable picture for the next two or three decades [the Lontief report] suggests the probable continuance of general economic growth [the Latin

American countries] may reasonably be expected to enjoy a period of further enrichment, keeping the gap between them and the central countries the same as hitherto, or perhaps even narrowing it. If the likewise favourable prospect for the continuity of democracy in the capitalist countries is also confirmed, the model thus emerging could perhaps help to rub off the burrs of the authoritarian systems prevailing in the region." The latter should, how-

ever, be the result of a process that is free of "interference or pressures —most of which have a negative effect— or of straightforward copying of foreign models ... rather it is a matter of the existence of a generalized political atmosphere which the Latin American nations could hardly fail to breathe too, given their birthright of membership in a common culture and their long-standing spontaneous links ... with the great democracies whose future still holds out a promise" (p. 135).

Note the great care with which Medina formulated his projection, aware as he was of the fact that these favourable overall trends might change either totally or in part, and that his predictions might therefore be fulfilled in one sense and yet be belied by the facts in another. And this is indeed what has happened. It seems worthwhile at this point to take a brief look at what has occurred during the decade that has passed since Medina's essay on democracy was written and published. The "international economic order" has changed so much that it has become, generally speaking, a factor which diminishes the periphery's opportunities for development: the central capitalist economies have fallen back behind the defensive wall of an unprecedented degree of protectionism; commodity prices and the demand for these products have dropped to previously unheard-of levels, and the exporting countries' earnings have plummeted along with them; the terms of trade have deteriorated substantially; and the foreign debt crisis, which came out into the open in 1982, constitutes an ongoing resource drain that is depleting the region's investment and growth opportunities. The projected "two or three decades of growth" have evaporated, and the retrogression of the Latin American countries' economies to the levels they had reached in the late 1970s, has seriously exacerbated social conflicts. The drop in employment and the growth of underemployment, the decrease in wages and living standards observed even in middle-income sectors, increasing marginalization and recourse to extreme survival strategies, the decline of the rural peripheries and the poverty of the peasantry —all of which is in glaring contrast to the consumerism of the well-to-do strata, whose incomes have increased in many cases— have pushed the social barometer up into the storm range.

Nobody could reasonably deny that the social situation is steadily deteriorating in the countries that are in the process of making a transition to democracy and that their economies have stagnated or, in the most extreme cases, are even shrinking. Perhaps the most politically delicate aspect of the situation is that of both the dependent and independent middle-income sectors; historically one of the most effective mainstays of democracy, these sectors have gone into a rapid decline.

*¡E pur, si muove!* Democracy has been reinstated in most of the countries whose authoritarian military régimes were incapable of overcoming the crisis or of managing it satisfactorily. The specific nature of the corresponding events has varied from one country to another, but the differences among them cannot conceal the existence of one main feature which they have in common and which has become evident wherever the "debt crisis", with all its economic and social implications, has been followed by a sudden interruption of dynamic growth trends in the Latin American economies. The restoration of democracy has filled the void left by the withdrawal of authoritarian régimes, but has not necessarily resolved the structural crisis which envelopes the region's peripheral version of capitalism as an historical system. In line with the logic that prevailed some years ago, it might have been thought that the imperative of preserving the capitalist social order in the face of an outright crisis would have given rise to demands for an expanded role for the State and its Praetorian Guards. This has not, however, been the case, perhaps because it was neither necessary nor possible. Firstly, the crisis has not entailed any serious threats to the *status quo* which would have cast doubt upon the capitalist order. Quite the contrary, although there have been signs of discontent and social protest, they have not been such as to call the system into question. Secondly, no one can deny that the response capacity of both civilian and military authoritarian apparatuses had been exhausted and that the changeover was thus inevitable and undeferrable.

Political demands have been for democracy rather than for more authoritarianism, and it is democracy that has been assigned the heavy responsibility of enduring and then overcoming the crisis. This is not an appropriate place to

assess its possibilities of success, but it is a fitting time to take another look at Medina's ideas on the relative independence of politics from economic development. The countries currently making a transition to democracy have embarked upon this process under the worst economic conditions of the last 50 years. Nevertheless, the trends being observed today bear out Medina's optimism, since much of the available political and social evidence supports the conclu-

sion, at least on a provisional basis, that democracy is here to stay. And the reason for this, above all, is that nobody with a sufficient degree of power and ability is offering a viable or significant alternative which could garner the necessary consensus and material support. We thus continue in a state of transition, following a course which we hope will lead us to the consolidation of the infant democracy that we now enjoy.



# The challenge of orthodoxy and the ideas of Medina Echavarría

Aníbal Pinto\*

It is a serious commitment for an economist to take part in a meeting of distinguished sociologists, and all the more so when that meeting pivots upon the work and personality of so eminent a thinker as Medina Echavarría. The only valid explanation would seem to be that I am among those who followed his work with interest and profit, especially those studies based on political economy which, in some way and to some degree, are common ground for all the social disciplines.

Furthermore, this assembly of sociologists reminds me of one of the most significant and fecund epochs in the history of ECLAC, when—in the 1960s—the idea of a bold incursion into the field of sociology came to fruition. Dr. Prebisch and don José Medina Echavarría played decisive parts in that enterprise, which may well be compared to the muster of economists associated with ECLAC at the time of its foundation, 40 years ago.<sup>1</sup>

The intellectual output of those two periods has left a priceless legacy, which the rising generations cannot afford to ignore. Its diffusion has been sedulously promoted in the courses given by the Latin American and Caribbean Institute for Economic and Social Planning, but the effort needs to be stepped up by that and other means, such as this same meeting.

It is likewise obvious that much remains to be done to secure a more fruitful relationship, a more intensive dialogue, between sociologists and economists. We are not separated in watertight departments, to be sure, and much progress has been made in this respect, but the desirable and necessary goal is still a long way off. This is a subject that always interested Medina Echavarría, who, moreover, referring to pre-

cisely those relationships, wrote in one of his studies:<sup>2</sup> "... More often than not, the different specialists have simply passed the ball to one another. Economists have tried to work out their development models while leaving to others, sociologists or political scientists, the problem of verifying the data which on their own account they left untouched, as accepted or assumed. And conversely, the contemporary political scientists, concerned with emphasizing the purely political elements in the systems postulated as desirable—in general no different from those already arrived at by the countries that they considered more advanced—, left to the economists the study of the economic mechanisms which would make the maintenance of such political institutions viable. Thus, contemporary bibliography commonly abounds in examples of the two positions, with the consequent excuses on the one side and the corresponding reproaches on the other. Economists expected other social scientists somehow or other to give them, satisfactorily formulated, whatever they regarded as beyond their scope, outside the precise boundaries of their specific activity; similarly, but the other way round, no few political scientists, experts on administration and a good many sociologists reproached the economists for their unwillingness to hand over to them the sound information that they deemed necessary for the support of their own work. Such discussions and confrontations in a purely theoretical field, fostered by the desire to find generalizations valid for different situations and periods, are possibly meaningless; the only logical and consistent thing would have been to start with analyses conditioned in space and time, that is to say, actual and clearly-defined historical situations,

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<sup>1</sup>For a lucid and readable reconstruction of that period, see Celso Furtado, *A fantasia organizada*, Rio de Janeiro, Editorial Paz e Terra, 1985.

<sup>2</sup>José Medina Echavarría, *Discurso sobre política y planeación*, Mexico, D.F., Siglo XXI Editores, 1972, pp. 8 and 9. This was also included in *La obra de José Medina Echavarría*: Selection and preparatory study by Adolfo Gurrieri, Madrid, Ediciones Cultura Hispánica, 1980, pp. 293 to 376.

so that in view of them the problem could be stated in these or other similar terms: given the economic situation in which we are living here and now, and to which we wish to give impulse, what are the political instruments that ought to be used to serve that end? or, conversely, given certain political conditions which it would be desirable to improve in a given direction, what might be the economic instruments best fitted for the purpose? But the reason why scarcely anything is done on the basis of specific and individual historical cases, and trust is placed rather in the interplay of theories and models, lies largely in the fact that since the end of the Second World War there has been a swelling flood of theoretical bibliography which seems to have reached its highest tidemark at this very time."

We shall now come to the heart of our present matter, which is to recall some of Medina Echavarría's ideas that have a bearing upon the current controversy between monetarist orthodoxy and diverse heterodox schools of thought. To this end three of his studies<sup>3</sup> have been taken into consideration, with special attention to questions touching upon the State and on planning.

It might be said with some justification that this controversy dates back to distant times, for example, to the last century, when in Latin America discussion constantly went on between "free-traders" and "protectionists". But the present situation displays very special characteristics, inasmuch as the combatants in the arena include not only academics and politicians of one or other bent, but also government agencies, international organizations, private interests, both national and foreign, and so forth. What is occurring, in fact, is an ideological mobilization on a probably unprecedented scale.<sup>4</sup>

What did Medina think of the conservative offensive? The following extract gives us a rough idea:<sup>5</sup>

"It is pathetic to see how timid the reaction still is in our milieux against the intellectual bullying of magisterial foreign theorists. In the dismay felt at being accused of unhealthy 'interventionism', courage has not always been found to retort that the whole accusation stems from a myth, from an ideology. The ideology with which the popular handbooks are soaked is nothing but the assumption that the 'liberal economy' sprang into life of its own accord on that memorable day when it was able to throw off the shackles of the State. It is maintained, or at least implied, that capitalism, as the form first taken by the economic system, is something proper to human 'nature', which has been able to flourish in full vigour only thanks to the rising bourgeoisie's having cut the umbilical cord which tied it to the State. Nothing, however, could be farther from the truth. Not only because the bourgeoisie —except in a single country— has always had to share authority, both political and economic, with other social forces, but for another more cogent reason: the way to the liberal economy was paved by mercantilism. In other words, what is forgotten is that a liberalized economy would never been possible without the preliminary —and some times strenuous— labours of an absolute and enlightened State."

Pursuing his historical approach, Medina Echavarría analysed the characteristics of the State "really existent" in the climate of modern or "reformed" capitalism.<sup>6</sup>

"The reformed capitalism" under which we are all living began to take shape at the end of the nineteenth century, and its reform was due to two types of causes, some social and others —strictly economic— structural. For the

<sup>3</sup>Namely, "El desarrollo y su filosofía", "Discurso sobre política y planeación" and "La planeación en las formas de racionalidad". All three appear in *La obra de José Medina Echavarría*. Selection and preparatory study by Adolfo Gurrieri, *op. cit.*

<sup>4</sup>A significant case in point is to be found in the periodical *Economic impact*, published by the United States Government Information Agency (No. 55, corresponding to the third quarter of 1986). It is devoted to the topic of "freeing constraints on the economy", and centres its attention on the drive to privatization and on deregulating key economic sectors. In the introductory summary (page 2) it is stated that "a recognition of this trend, and

with the avowed aim of spurring it at an accelerating pace, the U.S. Agency for International Development (AID) in early 1986 convened the International Conference on Privatization in Washington, D.C. The largest of any such meeting held to discuss that subject, the Privatization Conference attracted nearly 500 attendees from 46 countries including the developing countries. For three days, policy-makers, business representatives and technical experts shared their experiences and focused on privatization problems and opportunities".

<sup>5</sup>See "El desarrollo y su filosofía", in *La obra de José Medina Echavarría*, *op. cit.*, p. 230.

<sup>6</sup>See "El desarrollo y su filosofía", *ibidem.*, pp. 234 and 235.



moment we are primarily concerned with the former. We know that there is something of inexorable dehumanization in the economic system—development pure and simple, we should say nowadays—in so far as its sole objective is indefinite expansion of the system itself. Once in operation, it is like a blind juggernaut, reflecting the opacity of its statistical methods of description. Figures on tons, kilowatts or monetary units tell us nothing of the man who has produced them. The reform came about in the first place as a protest on the part of that same man against his treatment as a different order of being. It was incarnated most visibly and effectively, although not solely, in the rebellious spirit of the workers' movement. There is a long and unforgettable list of intellectuals, administrators, philanthropists and sensitive politicians who assisted in this great work of creation. Its results may be deemed mere compromise between threat and fear, but they did in fact mean that certain states of painful and profound humiliation were eliminated for ever. The point of interest here is that such a compromise entailed a considerable modification of the "system" as such, because the elimination or attenuation of its dehumanizing elements presupposed the diversion of part of the surplus towards ends other than those of pure expansion. What has since been called "social policy" necessarily came into being at the expense of a greater or lesser fraction of investment possibilities. That this fact, so far from giving the "system" a shattering blow, injected it with fresh vigour is another of the paradoxes of history, by no means entirely incomprehensible. The very thing that implied a negation of capitalism became dialectically its road to salvation, that is, to its historical perpetuation, although in a different form.

"In turn, however, the reform was brought about by paths other than that of human protest. The internal evolution of the system once more invoked the presence of the much-reviled State, whose heterodox action again became a lifebelt. Since a certain memorable year—1929—, no country of any importance has dreamed of committing itself anew to the fickle twists and surprises of economic automatism. And, sanctioned, of course, even the most recalcitrant entrepreneurs have given their benediction. The history of events coincides with the formation of

the contemporary 'welfare State'—in its different forms—and is a long tale to tell. There is scarcely any important State which does not pursue a conjunctural—anticyclical—policy and does not intervene in one way or another in disturbances arising in its internal sectors—price movements, income distribution, etcetera. This modern State accentuates—according to the country concerned and to changes of horizon—one or other of the aspects glanced at, from 'welfare' strictly speaking to the organization of production, but it is no longer possible to imagine a return to the watchful neutrality of the liberal conception."

These opinions should be considered in relation to the bases and intentions of the orthodox campaign.

Outstanding, indubitably, is the aim of reducing the sphere of action and influence of the State until it has been turned into a "subsidiary" institution undertaking only the jobs that the private sector is unable or indisposed to carry out. This subsidiary State is, in reality, a resurrection of the nineteenth century ideal of the "policeman State", a mere aloof guardian of the social process, basically governed by the principles of *laissez-faire, laissez-passer*.

This general definition implies a wide range of consequences and requisites, such as the restriction of fiscal expenditure and the relief of the tax burden, particularly personal and private company income tax. Privatization of public assets and enterprises is another cornerstone of this conception. Furthermore, the unrestricted rule of market laws runs counter to any idea of planning, while at the same time social and redistributive action is confined to "borderline cases" or to extreme poverty, after the fashion of the poor laws of last century.

What is the source of these conceptions and policies?

While the incidence of ideologies obvious, so too is the weight carried by other elements of a more factual character, such as the fiscal crisis affecting many States. In so far as the pace of their expenditure outstrips the possibilities of regular financing, pressures arise for the restriction of the former and the balancing of the latter. The potential or actual shadow of the inflationary consequences of this state of affairs is a key factor in the adoption of the relevant decisions.

In the end, this leads to the hardening of a critical attitude towards the nature and implications of the so-called "welfare State".

Although the diffusion of these concepts has been enormously widespread and persistent in recent years, the truth is that their effects have not been as substantial as might be imagined, although there are countries —such as the United States and the United Kingdom— where the "offensive" has been strikingly energetic.

It can be seen in table 1 that both in the industrialized and in the Latin American economies, the main trends in 1972-1982 seem to have been towards an appreciable and widespread increase in the proportion of the gross national product represented by the expenditure of cen-

tral governments, on the one hand, and on the other, a rise in public deficits, measured by the same yardstick. Actually, the first ratio shows considerably higher levels in the first group of countries than in the second, while the size of the deficits is similar in both, except in specific periods and countries.

Judging from the available data, the effects of the offensive against the Welfare State have fallen short of those assumed or pursued by the orthodox campaign in the developed economies. This is an unmistakable sign of how deeply it has struck root and of its influence on the evolution of the "reformed capitalism" to which Medina Echavarría referred. In all this process particular significance attaches —especially for the Latin American countries— to the policies designed to reduce the universe of public or State-controlled enterprises.

In this connection the traditional argument is generally based on the supposed "inefficiency" of the State consortia. Undoubtedly such cases do exist and measures to deal with them are often called for. Today, however, the tendency to privatize public units of unquestionable economic efficiency which play important parts in the structure of national wealth has gained ground. In these circumstances, it seems obvious that priority is accorded to the ideological view of the matter and the more pragmatic consideration of transferring good business to the private sphere.

Any analysis of these questions, above all in Latin America, should take into account the fundamental role played by the States and their enterprises in the constitution of the region's economy. It has more than once been maintained that the State took definite shape before the Nation, conversely to what would seem to have happened elsewhere, particularly in Europe. In the cycle of the primary-exporter countries, for example, it was the governments that represented the national interest and managed resources and linkages with foreign interests. In some instances, they were the creators and managers of public enterprises and services; in others, it fell to them to negotiate with these respecting the distribution of profits. In more recent times, there has been a manifest tendency to place foreign activities of strategic or fundamental importance for the national economy under the administration and ownership of the State.

Table 1

**SELECTED COUNTRIES: PUBLIC EXPENDITURE  
AND ITS FINANCING,  
1972-1982**

*(Percentages of gross national product)*

	Public expenditure <sup>a</sup>		Deficit/surplus	
	1972	1982	1972	1982
<b>Industrialized countries</b>				
<b>Federal Republic of Germany</b>				
Austria	24.2	31.5	0.7	-1.9
Belgium	29.7	39.6	-0.1	-4.5
Denmark	39.2	57.4	-4.3	-12.5
Spain	32.9	45.6	2.7	-8.5
United States	19.8	29.1	-0.5	-7.1
Finland	19.4	25.0	-1.6	-4.1
France	24.8	31.5	1.3	-2.2
Italy	32.5	42.1	0.7	-2.8
Norway	...	49.8	...	-11.7
United Kingdom	35.0	39.7	-1.5	0.8
Sweden	32.7	42.4	-2.7	-4.4
	28.0	44.9	-1.2	-9.7
<b>Latin American countries</b>				
Argentina	16.5	21.6	-3.4	-7.5
Brazil	17.8	21.8	-0.4	-2.7
Chile	42.3	37.6	-13.0	-1.1
Mexico	12.1	31.7	-3.1	-16.3
Uruguay	25.0	30.1	-2.5	-9.2
Venezuela	21.3	29.6	-0.3	-5.4

Source: World Bank, *World Development Report 1985*, Washington, D.C., 1985.

<sup>a</sup>Including defence, education, health, housing, social security and welfare, services and other expenditure.

The orthodox offensive looks like a sweeping change of direction in these longstanding trends, all the more so inasmuch as it overlooks the specific criteria of the greater or lesser efficiency of the enterprises affected, and brings in its train the transfer of supremacy into foreign hands —its "externalization"— through great private oligopolies. Needless to say, these characteristics are contradictory to the avowed objective of "spreading out ownership".

José Medina Echavarría's view of the role of the State and its agencies is very clearly reflected in his identification of its functions in a modern economy:<sup>7</sup>

"Assuming the existence of a political power, exercised through a historically variable system, what is of most interest at the moment is the possibility of defining the functions of political power in relation to economic activity, of particular importance when, as at present, the matter in hand is economic development. It should be noted that on this point there is a measure of consensus, with terminological variations, since all alike stress the following functions of political power in relation to economic activity: *the stimulating function, the distributive function and the integrating function.* (Italicized by A. Pinto.)

"As regards the stimulating function, the State can act through a declaration at a given moment of what it understands by the rating of work; indicating the quantity or quality of the work in question which it considers most appropriate to the existing circumstances, or, conversely, determining the amount or the forms of the abstention from consumption which may, although not necessarily must, be entailed by the intensification of the work concerned; lastly, political power can likewise influence, in different ways, the patterns of division of labour, accentuating or encouraging those which at a given time and place it considers preferable. The distributive function of political power is well-known for the ways in which it can influence the distribution of income or of the potentialities of economic action implicit in the granting of credit. While these are not the only

instances of the distributive function, there are certainly the most important. The integrating function can be effectively fulfilled provided that political power succeeds to some extent in organizing or unifying the field of economic activities: setting up targets, attempting to harmonize the growth of various sectors or seeking to impose specific norms of coherence upon the economic system as a whole.

"From the standpoint of development, these three functions of political power are singularly important: efforts may be made to increase the productivity of labour, by curtailing certain types of expenditure or by giving priority, in the social division of labour, to specific activities over others (to industry, for example, in preference to agriculture, or, within the former, to heavy industries as against the rest). There is no economic growth that does not spontaneously bring with it a certain distribution of income, and therewith of real purchasing power. The political authorities can accentuate these effects by speeding up those changes that result in greater equality between them. The integrating function has always been exercised by political power in one way or another, but there can be no doubt that it attains its most definite expression in the current forms of planning, whatever their nature."

It is not surprising, therefore, that these "forms" of public action are repulsed by orthodoxy, which sees in them the most dangerous challenge to the operation of market laws. It seems obvious that this repulse of the enemy has won a good deal of ground, and that in Latin America, as elsewhere, the defenders of planning have had to undertake a careful review of national experiences in order to reply to criticism and put forward more efficient alternatives.<sup>8</sup> On this subject, and far in advance, Medina Echavarría, almost 20 years ago, meditated to the following effect:<sup>9</sup>

<sup>8</sup>See, in this respect, *CEPAL Review* No. 31, April 1987, devoted to the papers submitted at the International Colloquium on New Directions for Development Planning in Market Economies, jointly organized by the Latin American and Caribbean Institute for Economic and Social Planning (ILPES) and the United Nations Development Programme (UNDP), and held in Santiago, Chile, from 25 to 27 August 1986.

<sup>9</sup>See "La planeación en las formas de la racionalidad", in *La obra de José Medina Echavarría*, *op. cit.*, p. 377.

<sup>7</sup>See "Discurso sobre política y planeación", *op. cit.*, pp. 19 and 20.

"At one time we may have thought that planning was the most useful instrument for the organization of economic life and for economic development, that as such an instrument, moreover, it seemed sufficiently well-wrought and that nothing remained but to put it into immediate operation. Later, however, signs began to be seen, perhaps, that it was not working as well as had been expected. Where were the flaws, in the instrument itself or in some of the ways in which it was applied?"

Pursuing his analysis, Medina points out, in response to these queries that "in its extreme forms —never fully put into effect— planning tends to take shape in different places, in one or other of these three types: bureaucratic, technocratic or democratic".<sup>10</sup>

It would be impossible to review or reproduce the lucid reflections to which each of these models gives rise. We shall confine ourselves, therefore to some that define the democratic planning option, which is, needless to say, the one that the author prefers, although he does not fail to recognize the obstacles that stand in the way of its materialization. In this connection, he begins by frankly saying that "of the time-honoured description of democracy as government of the people, by the people, for the people, sociologically speaking the second postulate is still the shakiest".<sup>11</sup> Even so, in view of experiences relating to these different types or modalities, he asserts that it would be feasible "not only to maintain the possibility of democratic planning, but even to hazard the opinion —a hypothesis not difficult to substantiate— that planning has been able to function best, within the present representative systems, there where its organization was adjusted or articulated on lines parallel to the institutions of the political régime in force. In other words, only in that case has planning had political viability, real effectiveness".<sup>12</sup>

Continuing his argument, Medina embarks upon an outline sketch of the main points of intersection between democratic and "planning" processes, which would appear to be the following:<sup>13</sup>

"First and foremost, the relations between the planning organs —whatever they may be called— and the traditional political organs constituted by the Parliament and the Executive must be precise, and as well-defined as possible. The differences between presidential systems and systems of parliamentary government do not, in principle, affect the components involved. There is no way of eliminating, in any event, the importance of the deliberative function of Parliament in the selection of the basic economic options, prepared by the planning agencies, on which in the last analysis the Executive decides, whether President or parliamentary Cabinet.

"In the second place, there are the contacts and relations —not left to chance either— between the planning agencies and the groups most representative of the various social interests, whether primarily economic —like those of the trade unions and entrepreneurial organizations— or cultural, artistic, scientific or otherwise.

"It is desirable to make sure, in one way or another, that alongside national planning local aspirations and interests are able to make their voice heard. A case in point is regional planning, which is by no means technically simple and which has been arrived at here solely through the political channel of increases —as far as possible only those that were unavoidable— in popular participation.

"Lastly, when the citizen's electoral participation or his *de facto* share in the orientation of professional organizations is considered insufficient, no-one nowadays questions the desirability of encouraging, in accordance with historical traditions, the creation of new and different participation centres among the lowest links of the chain of political influence; for example, what are known as 'community development' units."

At a distance, setting the reflections of Medina Echavarría over against the realities of the present situation, it seems clear that what we might call his "historical optimism" is not compatible with the vigorous onslaught of orthodoxy against such agents as the State and, above all, planning. Nevertheless, there is reason to doubt whether it will win in the end. First, because in a period of great uncertainty and of changes which are presumably highly meaning-

<sup>10</sup>*Ibidem*, p. 389.

<sup>11</sup>*Ibidem*, p. 407.

<sup>12</sup>*Ibidem*, p. 409.

<sup>13</sup>*Ibidem*, pp. 411 and 412.

ful, it seems obvious that those much-debated agents will necessarily have to play an outstanding role. Over against the undeniable attributes of the mechanism or institution called the market, the assumption still holds good that it suffers—as has been remarked—from tem-

poral myopia and social strabismus. In contrast, the strength and validity of the rival—though not substitutive—actors rest precisely on their ability to look ahead into the future and keep a wary eye on the social or humanitarian projection in times of change.



# A different concept of the private sector, a different concept of the public sector

(Notes for a Latin American debate)

*Aníbal Quijano\**

At a meeting held in honour of the memory of José Medina Echavarría, it seems appropriate to begin our conversation concerning the role of ideas by relating an anecdote about this great man. At some point in the late 1970s, I once ran into him as, with a disgruntled look on his face, he was leaving a discussion held at ECLAC. "How's it going, don José?", I asked him in greeting. "Oh, these people", he sighed. "Do you know what they have just said? That we should come up with new ideas. What do you think of that? Just coming up with ideas of *any* sort is difficult enough..."

Accustomed as he was to dealing in the realm of ideas, he knew what he was talking about. He produced them, and it is to him that we owe many of the ideas which continue to inspire us as we strive to understand and change our society. It is for this reason that, as we open a new round of discussions concerning the future of Latin America, nothing could be more appropriate than to take some of his ideas as a starting point.

Emphasis has been placed during this meeting on Medina Echavarría's view of Latin America as part of Western culture, as well as on his idea that one of the strongest links between the two is the struggle to attain modernity. For Medina, however, this was a particular type of modernity, one governed by an historical rather than an instrumental line of reasoning. And, as he himself stated, in Latin America this must, above all, be the result of an "effort to re-work and re-build", which must be made under conditions entirely different from those of the past.

I believe that using these ideas as a starting point may be a productive way to go about our work here. And along these lines, one of the most important issues to consider is that of the relationship between Latin America and modernity, because this relationship involves certain elements which can play a pivotal role in formulating a Latin American response to a number of pressing problems that affect not only this but other parts of the world as well.

## I

### Modernity and "modernization" in Latin America

Latin America has been under pressure to "modernize" throughout most of this century, but this pressure has been particularly strong and has been marked by a number of quite distinctive characteristics since the end of the Second World War. Firstly, this pressure has, to a large extent,

been exerted by non-Latin American —or, if you will, external— agents acting in their own interests. Secondly, it has taken the form of proposals that the region should make itself fully receptive to the mode of production, consumption patterns, culture, and the social and political forms of organization of the developed capitalist countries, which are regarded as paradigms of a successful "modernization" effort. In practice, what the region is being urged to do is to make

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changes so as to adapt to the requirements of capitalism as it approaches a mature stage of inter- or trans-nationality.

Following the Second World War, the core elements of the historical rationale of modernity were in a weakened state, and modernity as such was in crisis as a result of the fierce attacks launched against it by malignant political forces that appealed to mankind's irrational side. An effort had been made to beguile the people into a cult of power by presenting the unashamed use of naked force as its most attractive legitimizing feature. These forces, such as Nazism, had been soundly defeated in the war; but after this experience, after Auschwitz, the promises of modernity would never again —as Medina Echavarría observed— be taken up "with the enthusiasm and hopefulness of days gone by". Moreover, this experience surely consolidated the present reign of the instrumental rationale, which now —vying against the historical rationale— lays claim to the prestige and lustre of the title of modernity. And it should also be pointed out that at that time it was still not clear —nor was it an accepted fact for many people— that this reign was to encompass not only the so-called Western world, but the world forged under Stalinism as well.

At this point, I believe it is necessary to examine two of the implications that these processes had for Latin America. Firstly, because "modernization" came late to our shores as a foreign import already formed and practised, an idea took hold in the region which continues to hold many of us in its thrall: that Latin America has always been no more than a passive and belated "receptor" of modernity. The second, which is implicit in the first, is the habit of confusing modernity with "modernization".

The concept of modernity as a category was surely developed in Europe, particularly from the eighteenth century onward. Nevertheless, it was an outgrowth of a series of changes which began to occur in the late fifteenth century throughout the whole of that part of the world which was subject to European rule. The intellectual processing of these changes, however, revolved around Europe, in keeping with its central and dominant position within that aggregate of nations.

The starting point for the formation of this new historical aggregate, within whose context "modernity" as such was to arise, was the conquest of what was later to be known as Latin America and its incorporation into the European sphere of domination. In other words, the process by which modernity came about bears a direct and essential relationship to the historical establishment of Latin America. The reference here is not confined solely to the well-known fact that the output, primarily of metals, of America was one of the basic originating factors in capital accumulation, nor to the fact that the conquest of America was the first step in the formation of the world market, even though this market was the real-life context within which capitalism and its worldwide logic were to emerge as the material foundations for European modernity.

For Europe, the conquest of America was also a discovery, not only —and perhaps not most importantly— in the commonplace geographical sense of the word. Above all, it was a discovery of new and different historical experiences and directions. To the astonishment of the Europeans of that time, in addition to the "exotic" features of this new continent, they found in it the historical crystallization of a number of long-standing social aspirations which until then they had viewed as no more than myths belonging to a remote and shrouded past. No matter that this European view of the American experience was largely the product of an imagination which came to know no bounds as Europe marveled at its discovery. It does not matter because it was America itself which was responsible for this expansion of Europe's imaginative capacity. Today, it is now common knowledge that the American experience (which was, first of all, an Andean experience) included a number of concrete examples of forms of social existence aspired to by the Europeans —the joy associated with a form of social solidarity unmarred by glaring instances of arbitrariness, the legitimacy accorded to diversity among a group of human beings sharing a sense of community— conditions which were completely divorced from the society that they knew.

I therefore contend that this discovery of America completely revolutionized the European imagination and, from thence, the imagination of the world which had been



Europeanized by its rule: *the past, as a golden age that had been lost forever, was replaced by the future, as a golden age to be conquered or constructed.*

This is, for me, the basic significance of the utopias developed in Europe following the discovery of America. The emergence of these utopias can be regarded as the first step in the process leading to modernity. Without the new position occupied by the future in man's imagination, the very idea of modernity would simply have been unthinkable.

For the Europe of this period—which had not yet emerged from the crisis of feudal society—the utopia of a society free of abhorrent hierarchies, arbitrariness and obscurantism was the ideology of a prolonged struggle against the feudal hierarchies, against the despotism of the absolute monarchies, against the use of the Church's power to control and hinder the development of knowledge, against the supremacy of private interests which went hand in hand with mercantilism. In other words, it played a part in the struggle to establish a rational society, this being the greatest hope held out by modernity. Thus, America figured prominently in this first phase in the process leading to modernity.

I therefore suggest that during the stage associated with the crystallization of modernity, as the movement known as the Enlightenment unfolded in the eighteenth century, America was not merely a bystander or "receptor" but was instead part of the world within which this movement arose and developed.

This is demonstrated, first of all, by the fact that throughout the eighteenth century, the institutions, studies, ideas and knowledge which, together, were to be known as the Enlightenment were formed and disseminated at the same time in both Europe and America. Circles of reformers were established in both the Old and New Worlds at the same time; the same topics of study and the same issues for debate and research

made the rounds; the same interest in exploring nature was pursued in both places using the same tools of knowledge. Everywhere, the desire took hold to reform society and its institutions, paving the way for political and intellectual freedom, as did the criticism of inequalities and arbitrariness in human relations.

When Humboldt arrived in America, he was openly surprised to find that circles of American intellectuals and scholars, in each of the main centres that he visited, had the same knowledge and were studying the same subjects as their European counterparts. Not only did they read the same books; even more importantly, they were interested in the same problems because they had raised the same issues and were striving to investigate them with the same zeal, albeit under less favourable conditions. The spirit of modernity, its potentials and its demands, were developing on an equal footing in America and Europe.

There is, thus, more than merely an anecdotal significance in the fact that a Peruvian, Pablo de Olavide y Jáuregui, gained renown in the European circles of the Enlightenment, that he was a friend of Voltaire, was deeply involved with the French encyclopedists and in the political experiences of the Spanish Enlightenment. When Olavide was subjected to the obscurantist persecution of the Inquisition, it was none other than Diderot himself who wrote his first bibliography and launched the campaign in his defence. Nor is it surprising that in virtually all the European centres of the Enlightenment a great campaign in his support was mounted.

Nor is there anything surprising, therefore, about the fact that at the beginning of the following century, when the *Cortes* of Cádiz met in 1810, the Latin American delegates were among the most consistent in upholding a modern ideology and in defending liberal radicalism, and thus played a prominent role in the drafting of the liberal constitution.

## II

### The paradox of modernity in Latin America

It can therefore be demonstrated that the movement towards modernity in the eighteenth century took place in Latin America at the same time as in Europe. Nevertheless, this fact entails a surprising paradox.

In Europe, the spread and growing influence of modernity was aided by the development of capitalism, along with all that this implied for the production of material goods and for interpersonal relations. In Latin America, however, and particularly from the last third of the eighteenth century onward, a noticeable gap began to open up between, on the one hand, the ideological and social demands of modernity and, on the other, the stagnation and disarticulation of the mercantile economy, which were so severe as to lead to its retrogression in some areas, such as the Andean zone. A leading position in the society and power structure was thus assumed by those sectors and groups most closely associated with inequality and arbitrariness, with despotism and obscurantism. With the well-known exception of some of those sectors most closely linked to the development of European capitalism, this contradictory situation was typical of the emerging Latin American region.

In Europe, some aspects of modernity took firm hold as a part of daily life, as a social practice and as its legitimizing ideology. In Latin America, however, until well into the twentieth cen-

tury modernity was gradually evolving into an ideology whose social practice was either repressed by the authorities or accepted only as a means of legitimizing other practices that ran directly counter to it.

This last circumstance points up the ideological importance of modernity in Latin America, in spite of the fact that it was hemmed in by a society that was moving in the opposite direction. It also sheds light on, for example, the curious sort of relationship existing between the region's nominally liberal institutions and constitutions and the conservative power that set itself up at the time of independence. This, in its turn, can only be understood if it is remembered that modernity as a philosophical movement was not simply a foreign import but rather a homegrown Latin American product, cultivated when the region was still a rich and fertile field for mercantilism, despite its colonial status.

Be that as it may, and particularly from the nineteenth century onward, modernity in Latin America came to be accepted as an intellectual attitude, but not as a day-to-day social experience. Perhaps this accounts for the fact that an entire generation of Latin American liberals during that century were lured into the trap of cultivating the chimera of modernity without revolution. And the region has not yet managed to struggle completely free of this trap.

## III

### Power and modernity in Europe

The history of modernity in Latin America is clearly a paradoxical one. However, its European avatar not only failed to eliminate its contradictions, but also subjected it to the Procrustean exigencies of the very power which owed its existence to it: the bourgeois rationale.

The concept of rationality inherent in the process leading to modernity was not regarded

as having the same meaning in all the various European centres which generated and disseminated it. In simplified terms and within the limitations of this article, the Saxon countries can be said, from the very beginning, to have viewed this concept of rationality as being linked in a quite essential way to what, since Horkheimer, has been known as an instrumental rationale.

This, first and foremost, serves as a way of relating the ends to the means. Rationality was seen as a tool, and a tool's usefulness is determined by the predominating perspective in which it is viewed, i.e., the perspective of power.

In the southern countries, on the other hand, within the context of the debate concerning the nature of society, from the very outset the idea of rationality was linked to the definition of the ends to be pursued: to free society from all inequality, arbitrariness, despotism and obscurantism. In short, it was in opposition to the ruling power. Seen in this light, modernity holds out the hope of a rational social existence in the form of freedom, equity, social solidarity and of an ongoing improvement in the material conditions of that (and not some other) existence. This is the historical rationality that was so dear to Medina Echavarría.

I wish to underscore the fact that, due to the exigencies of the occasion, I am simplifying the differences between the southern and northern European concepts of modernity and rationality, but in so doing, I am not attempting to absolve Southern Europe of its sins, which may be just as serious as those of Northern Europe. However, I would add that, while the distinction drawn here may be a simplified one, it is not, in my opinion, overly arbitrary.

It is surely not a mere coincidence that the leaders of the anti-modernist "neoconservative" movement in the United States stress their rejection of the "Franco-Continental Enlightenment" and their adherence to the "Anglo-Scottish Enlightenment" of Locke, Hume and Smith in attempting to vindicate the privileged position of some groups in respect of others within society. Nor is it mere happenstance that the spokesmen for this school of thought do not hesitate to state that, except insofar as it serves to defend law and order (which involves inequalities, despotism and arbitrariness), modernism is nothing more than a utopia in the pejorative sense of the word.

This difference became a crucial element in determining the fate of modernity and of the hopes it held out; the dominant power in terms of capital and the position of greatest strength in the power relations among the bourgeoisie of Europe gradually shifted, beginning in the eighteenth century but especially in the nineteenth,

towards the British bourgeoisie. Thus, the "Anglo-Scottish" version of the Enlightenment and of modernity came to dominate the bourgeois rationale as a whole, not only in Europe but internationally as well, due to the worldwide imperial presence attained by the British bourgeoisie. So it was that the instrumental rationale gained precedence over the historical rationale. And its worldwide dominion became even more firmly entrenched and far-reaching as Britain's imperial hegemony gave way to that of the United States after the end of the First World War.

Then, under the Pax Americana and its extreme version of the instrumental rationale, after the Second World War pressure began to be exerted upon Latin America to "modernize": the rationality in question had by now been divested of any connection whatsoever to the promises originally held out by modernity and was instead based solely on the exigencies of capital, productivity and the effectiveness of given means in achieving the ends dictated by capital interests and by the empire. In the final analysis, then, it was merely an instrument of power. In broad sectors of Latin America, this reinforced the beguiling chimera of a type of modernity not involving any sort of revolution. The consequences of this deception are still with us; we have not yet completely emerged from the dark tunnel of militarism and authoritarianism.

The most comprehensive example of what successful "modernization" has meant for Latin America is perhaps the changeover from an oligarchic to a modernized State. In all of the countries, the State has been "modernized". Its institutional apparatus has grown and has even become somewhat more professionalized; the State is less of a prisoner to society and, in one sense (within its scope of action), is more national. All of this, however, has not made it more democratic or more conducive to the organization of national societies with a view to meeting the needs of the population, or more legitimately representative or, perhaps, more stable either.

The system of beliefs of the bourgeoisie was not the only school of thought to be affected by the dominating influence of the instrumental rationale. Even socialism, which arose as an alternative to the bourgeois rationale and was presented as the most direct and legitimate vehi-

cle for the hopes of liberation held out by modernity, gave in to the attractions of the instrumental rationale for quite some time and was unable to establish itself as anything but "socialism as it was actually practised", i.e., as Stalinism.

This is the modernity which has been proclaimed to be crisis by new prophets, almost all of whom are apostates of their former faith in socialism, or at least, in radical liberalism. On both sides of the Atlantic, these prophets of "post-modernity" or of the most blatant form of anti-modernism also want to persuade us that the hopes of liberation held out by modernity are not only unattainable now, but always were so; that, after Nazism and Stalinism, no one could still believe in them; and that the only thing that is real in this world is power, the technology of power, the language of power.

The crisis of this version of modernity, redefined as it has been by the unchallenged pre-eminence of the instrumental rationale, is following the same path as the crisis of capitalist society, especially as regards the course taken by these two processes since the late 1960s. And this type of modernity certainly need not be defended or be viewed with any trace of nostalgia whatsoever, particularly in Latin America. It was under its reign that we were charged with the task of satisfying the worst demands of foreign capital and of rooting out the dominating influence of the historical rationale from the Latin American consciousness just when independence was being won.

The problem, however, is that the prophets of "post-modernity" and of anti-modernity are not only inviting us to attend the funeral of the hopes of liberation associated with the historical rationale and its particular type of modernity, but also, and even more importantly, are urging us to refrain, henceforward, from addressing the issues raised by the latter, to refrain from resuming the struggle to liberate society from the sway of power and, from now on to accept nothing but the logic of technology and the language of power. Behind the smoke screen thrown up by this debate, there are the unmistakable signs of the same forces which, after the crisis that erupted into the First World War, banded together to assault and to try to destroy all traces of any sort of utopia of equity, solidarity and freedom. They were not entirely successful, but

they did manage to weaken the position of the historical rationale. Today, these same forces appear to be raising their heads once again.

Moreover, the convergence of these two crises has transformed a number of the cross-roads at which the present debate concerning society has arrived into what appear to be dead-end streets. This is particularly serious as regards the debate concerning the problems of dependent societies which have been established on the basis of extreme inequalities and which have not entirely or definitively eradicated the arbitrary and despotic use of power, even within the limited confines of developed capitalist societies. The dependent societies, such as those of Latin America, are the ones which feel the pressures of the problems created by the extreme concentration of power, as well as bearing the brunt of those generated by the capitalist development of Europe or the United States.

The history of modernity in Latin America is, however, more complex than that of Europe and the United States in that it contains the elements of an alternative rationality—elements which, moreover, are taking shape once again. Because the logic of capital and of the corresponding instrumental rationale was not fully developed, it was unable to completely override the historical insights which, once they had entered the consciousness of an astonished Europe in the early sixteenth century, gave birth to this new rationality.

The main blind alley to which the instrumental rationale leads is undoubtedly the one represented by the conflict between private and State ownership of production resources. Even the most general sort of discussion of the relations between the State and society will ultimately revolve around this dispute.

Of course, when couched in these terms, the debate as to the proper roles of the public and private sectors in the economy and in society cannot break out of its present deadlock. Basically, both sides work on the basis of the same assumptions and the same categories: for both, "private" refers to the private sector as it has been shaped by capitalist interests, and "State" or "public" refers to the State/public facet of the private sector as defined in those terms and is perhaps its rival, but not its opponent. For both sides, the instrumental rationale turns back upon itself, creating a vicious circle.

## IV

## The bases for a different type of modernity: a different concept of the private sector and a different concept of the public sector

There are two extreme positions vying with one another for the dominant role in establishing the economic orientation of present-day society. The first is "socialism as it is actually practised", i.e., that which was structured under Stalinism. For this school of thought, State ownership of all production resources and distribution mechanisms and State control of all decisions concerning the orientation of the entire economic apparatus are central to the idea of socialism. This idea, as expressed in Latin America, has influenced not only socialist propositions as such, but also the various versions of populism/nationalism/developmentalism. Seventy years after its first appearance, it is reasonable to conclude that this approach will not carry us very far along the road towards a rational society in terms of the hopes held out by socialism. Under this type of socialism, the economy can only be developed up to a certain point, after which it is paralysed by the weight of bureaucracy. Equity, social solidarity and freedom, democracy for producers, cannot take root or flourish under this sort of system.

At the other extreme there is "neo-liberalism", for which the private capitalist ownership of production resources and the "invisible hand" of the market—free, ideally, of any limitation, control or guidance by the State—are the *sine qua non* for the creation and widespread distribution of wealth and for any full expression of political democracy. Yet it has been shown beyond all doubt—and especially in the experience of the vast majority of Latin Americans—that this line of thought, too, fails to lead to equality, social solidarity or political democracy.

Within the historical context of today, this concept of the private sector has given rise to the vertical structure that is typical of large corporations, which can very probably be equated with the "modernized" vertical structure (i.e., a structure which has been liberalized by the reintroduction

of some degree of private ownership and of a private market) of the vast bureaucracies associated with "socialism as it is actually practised".

In the Latin America of today, very few people other than the most steadfast defenders of the power of capital hearken to the songs of these "neo-liberal" sirens. At the same time, however, after the region's recent experiences with "real socialism", it is very likely that the proponents of State control over the economy have also declined in number. The virtual paralysis of purposeful economic action in the countries of the region is perhaps a manifestation of this, rather than of anything else. All the countries of the region, without exception, are marking time as they concern themselves with short-term (and, frequently, with extremely short-term) measures, while lacking long-term plans or, for that matter, many proposals pointing in that direction. Indeed, the stand-off between "neo-liberalism" and this sort of "neo-developmentalism" ("neo", because the issues and proposals associated with it have faded and become less forceful but are otherwise the same as those of the old type of developmentalism) has become a trap, an apparently dead-end street.

Behind the scenes of this deadlocked debate, it is fairly easy to discern the fact that two forces have lined up in opposition to one another: the capitalist private sector and the capitalist State sector, i.e., two faces of the same instrumental rationale, each masking one of the social agents now vying for control over capital and power; in other words, the private bourgeoisie and the bureaucracy (which some regard as the State bourgeoisie). In the final analysis, neither of them offers a solution for the pressing problems affecting the region's societies, much less a means of realizing the hopes of liberation held out by the historical rationale.

The capitalist or, more generally, the mercantile private sector represents interests that run counter to those of society as a whole; as a result, the private sector's interests are compatible with equity, solidarity, freedom or democracy only up to a certain limit. In terms of this type of private sector, the State or public sphere is the expression of that limited compatibility; it goes into action and imposes its authority precisely when the ultimate logic of domination is threatened (and, as regards the exercise of such authority in its limited forms, when it is pressured to do so by those it dominates). State capitalism, "real socialism" and the welfare State all belong to the same family, but act within different contexts and in response to different sorts of specific needs. Complete State control over the economy and State dominance in society can thus be seen as representing the interests of the society as a whole *vis-à-vis* private interests. Nevertheless, since this neither eliminates the presence of domination and inequality nor even tends to do so, the private sector is eventually reinstated in these economies. Under these circumstances, private activity arises as a necessary reaction when the suffocating weight of bureaucracy entailed by State ownership and control causes production to stagnate.

The private sector and its activity thus serve a function. Nonetheless, the historical experience of Latin America suggests that the capitalist or mercantile private sector is not the only possible form of private activity and that the State or public sector in this specifically State-oriented sense is not the only other possible counterpart to the private sector either. Indeed, although it does not figure as such in the debate of these issues, there is another concept of what is private and of what is public, a concept which was not only part of Latin America's earlier history but which is still with us today, one that tends to come to light in broader and more complex spheres.

For purposes of illustrating this point (it being understood that, in doing so, I am not setting it forth as the most desirable or effective option), I would like to use the Andean community as an example. The first question to be asked is whether this community is private or State/public. And the answer is that it is private. This community functioned in the past and it con-

tinues to function today. Before its subjugation by the empire and throughout the whole time that it was a colony, it represented a unique environment, one characterized by reciprocity, solidarity, democracy and its corresponding freedoms; indeed, it was an island of solidarity and of the feeling of well-being that goes along with it amidst a sea of domination. Later, it continued to function in the face of the assault of a type of liberalism that had already been won over by the instrumental rationale and in the face of the power of the *caciques*. And it continues to function now in the face of the power wielded by capital. And it is private.

What I wish to demonstrate by means of this example is that there is another possible type of private sector which is neither capitalist nor mercantile; there is more than just one form of private activity. What name should this other form be given? For the time being, for want of a better term, I will refer to it as a "socially-oriented" form of private activity in order to differentiate it from self-seeking types of private endeavour.

I wish to make it clear, however, that I am in no way proposing a return to an agrarian communitarianism such as that characteristic of the Andean zone in pre-colonial times or even today. Present-day society, its needs and potentials are undoubtedly too complex for such an institution to cope with them satisfactorily. This does not mean, however, that such an institution could not serve as the basis, or one of the bases, for the establishment of another type of rationale. After all, wasn't its impact on the European imagination what marked the beginnings of European modernity and of the compelling utopia of a rational society?

By the same token, I also wish to make it clear that if I refer to the re-establishment of the concept of a socially-oriented type of private sector in Latin America, likening it to that of the Andean community, it is because it is possible to see such a concept at work in the region within today's highly complex and tremendously diversified society. A democratic form of organization based on solidarity and collective effort, which restores reciprocity as the foundation for solidarity and democracy, is currently one of the most widespread ways of organizing the day-to-day activities and life experiences of a vast portion of

the population in Latin America as these people band together in an effort to survive, to withstand the crisis and to defy the capitalist logic of underdevelopment.

These forms of social experience cannot be regarded as merely circumstantial or transitory phenomena. At this point, they have become sufficiently institutionalized to warrant their acceptance as established social practices for many sectors, especially the urban poor, who constitute the great majority of the population in many cases. For example, in Peru, what is known as the *barriada* contains around 70% of the urban population, which, in turn, makes up 70% of the national population. It is therefore not an overstatement to assert that the *barriada* has represented, particularly as regards the development of a new sort of inter-subjectivity, the primary form of social and cultural experience in Peru for the past 30 years. And these new forms of socially-oriented private activity are a central element of this experience.

In other words, the reciprocity seen within the Andean community has engendered the type of reciprocity seen today in the most oppressed strata of the "modernized" urban society associated with the dependent and underdeveloped capitalism of Latin America. This provides the basis for the formation of a new concept of socially-oriented private activity which represents an alternative to the concept of capitalist private activity that predominates today.

Two issues need to be clarified at this point in the discussion. Firstly, there is no doubt about the fact that capitalist private enterprise is, by a wide margin, the predominant form of activity in the country as a whole, in the urban population living in the *barriada* as a group, and among the poor strata within that population. Moreover, its logic not only exists alongside that associated with reciprocity, solidarity and democracy, but also intermingles with it and alters it. The institutions formed on the basis of reciprocity, equality and solidarity are not —within the urban areas— islands in a capital-dominated sea. They are part and parcel of that sea and, in their turn alter and control the logic of capital. Secondly, these are not scattered and unconnected institutions. On the contrary, especially during the past two decades, they have tended to form links with one another, thereby setting up

vast networks which, in many cases, cover the whole of the country concerned. These institutions have also begun to increase the complexity of their links with one another; just as the traditional sort of labour unions do or used to do, they group together both by sector and in national organizations. In the case of these new institutions of socially-oriented private activity, however, their sectoral linkages and the formation of a national network made up of all these sectors do not necessarily involve the establishment of any body as such. In other words, the institutionalized socially-oriented private sector tends to generate its own public institutional sphere, but the latter does not necessarily exhibit the characteristics of a State; it does not take on the form of an institutional apparatus which sets itself apart from or which places itself above the social practices and the institutions associated with day-to-day life in society. Thus, even though the institutions providing overall or sectoral links among the components of the socially-oriented private sector constitute a public sphere, they do not represent a State power, but rather a type of power within society.

Because these institutions of the socially-oriented private sector and of its public sphere are to be found within a context in which individually- rather than socially-oriented private activity and the corresponding type of State predominate, they are inevitably affected by the prevailing logic of capital. The presence of manipulation, bureaucratization and the exploitation of power are signs of the influence exerted by individually-oriented private activity, by the logic of capital, by its State. Even under these conditions, however, the practices and institutions associated with this new socially-oriented private sector and its public, non-State institutions not only manage to exist but also to perpetuate themselves, to grow in both number and variety, thereby forming a new and far-reaching organizational network for a new sort of "civil society".

The expansion of this process in Peru is probably due to the severity of the crisis affecting that society. A large part of the population has been pushed into rediscovering and re-establishing —within the setting of a new and more complex historical context— one of the

most deeply-rooted, longest-lasting and richest facets of Peruvian culture: the Andean community.

This new socially-oriented private sector and its public, non-State network are able to function under the most adverse and severe conditions; indeed, they are precisely what permit the people to survive in such a situation. In other words, a social praxis based on solidarity, equality, freedom and democracy is the only means of surviving in spite of and in opposition to the present logic of power, of capital and of the

instrumental rationale. It is, therefore, neither unfounded nor overly bold to suggest that under favourable conditions, these new social practices and the corresponding public institutional networks might not only permit survival, but could also serve as both a setting and a foundation for a genuinely democratic integration of society and could provide a real opportunity for true and differentiated self-fulfilment of the individual. Put another way, they could act as the vehicles for the hopes of liberation represented by a rational and, in this sense, modern society.

## V

### Latin America: The bases for a different type of rationale

In addition to the crisis of the present form of European/North American modernity, there is not only a shift away from the historical rationale and towards the instrumental rationale, but also a sort of "culturalism", whose main feature is its rejection of any sort of modernity at all. This rejection therefore applies to what might be referred to as the "rationale of liberation" as well, and involves a return to the elements of each individual culture, which are seen as the only true criteria for establishing the legitimacy of social practices and their institutions.

The interests of these two movements coincide. Indeed, together they form the basis of the fundamentalist approaches now flourishing in all parts of the world and in all types of doctrines. In both, the predominance of prejudice and myth play a basic role in orienting social practices because only on this basis can they mount a defense of all sorts of inequalities and hierarchies, no matter how reprehensible they may be, including all the various forms of racism, chauvinism and xenophobia.

As the crisis of present-day capitalist society becomes more visible and proves to be a more drawn-out process, confidence in the instrumental rationale has ebbed in more and more sectors of this society. In parallel with this, a more pressing need has been felt for a different type of comprehensive historical perspective. Ironically

enough, particularly among the subjugated peoples within this society, this has prompted demands that a break be made with European modernity and the rationale associated with Europe and the United States and has been conducive to a return to a purely culturalist idiosyncratic approach. However, it has also led people to look to other cultures in an attempt to find new elements with which to lay the foundations for a liberating rationale; these cultures are the same ones which Eurocentrism, during the height of its power, pictured as being divorced from any rationale whatsoever or as being completely immobilized under its domination; the same ones which, as a result of the impact they had on the European imagination beginning in the late fifteenth century, served as the starting point for the utopia of a liberating form of modernity. The documentation which has been amassed in this connection over the years is voluminous and quite compelling.

Hence, the debate concerning the relationship between the region's own cultural heritage and the demands of a new type of historical rationale has once again come to the fore in Latin America. I suggest that the components of this cultural heritage can be viewed as representing an historical path or direction which runs counter both to the primacy of the instrumental rationale and to obscurantist culturalism and which is



primarily manifested in the social experiences of large collectivities. These social practices, whose basic components include reciprocity, equity, solidarity, individual freedom and democracy as expressed in daily life, have, in the face of highly adverse circumstances, demonstrated their suitability as part of a new type of liberating rationale.

It is necessary to clarify a few things at this point in the discussion. First of all, the fact should be borne in mind that modernity arose in America at the same time as it did in Europe and that the people playing the major role in this process were members of the ruling class and descendants of Europeans. These people's position as members of this ruling class blinded them to the fact that the culture of the groups they ruled, the "Indians", contained many of the elements which would later form part of European rationality when it was still guided by the relationship between reason and liberation. When this connection became obscured and was relegated to a secondary position as the relationship between domination and a different type of reasoning gained sway, this ruling group became even blinder still.

The supremacy of the oligarchical *criollo* culture, which was promoted by this shift, is now coming to an end throughout Latin America. Its social foundations and its sources have been undermined and, in most of the countries, have now disintegrated, and this culture is consequently no longer perpetuating itself. At one time, the decline of this culture appeared to be making way solely for a cultural "modernization", i.e., for the primacy of the instrumental rationale. And this might indeed have been the case if it had not been for the fact that the outward expansion of international capital ran up against the limitations which are evident today and entered into a severe and prolonged crisis, along with all the rest of the power structure in these countries. As it is, however, the region's social, ethnic and cultural diversity has been reinforced during the crisis, and the one-track one-way transition from "tradition" to "modernization" envisioned by ideologues is not, in fact, taking place. On the contrary, at a time of conflict and crisis in both society and the culture, the more underdeveloped the capitalist system is, the wider are the breaches through which the overall cultural heritage opposed to

"modernization" is re-emerging. Clearly, this heritage comes into its own when the subjugated groups move up into the front lines of this battle.

All of this does not mean, however, that the overall cultural heritage of Latin America, or that which is produced and lived by subjugated groups, stems only from the region's ancestral culture of pre-colonial times. Far from it. It is true that this heritage draws strength from the wellsprings of the past conquests of rationality in these lands, which resulted in reciprocity, solidarity and the joy of collective work, but these historical currents also converge with those of the African experience and, together, they keep the tree of life intact, while in other cultures a gap has opened up between the tree of life and that of knowledge; and this is what has thwarted the reduction of rationality to no more than a feeble and superficial type of rationalism. The European and Euro-North American cultures, too, which have continued to influence the region, have contributed elements that are not part of the rationale of power. More recently, Asia has also helped to enrich and diversify this multi-faceted heritage. This is, therefore, a strong heritage capable of withstanding attempts to reduce it to no more than an instrumental rationale. The peculiar tension to be noted in Latin American thought stems from the complexity of this heritage.

There is therefore no reason why we should confuse the rejection of the elements of Eurocentrism present in the culture and of the instrumental logic of capital with some sort of obscurantist appeal to reject or abandon the hopes of liberation originally held out by modernity: the desanctification, first and foremost, of the authoritarian elements to be found in our way of thinking and in society, of social hierarchies, prejudices and their corresponding stereotypes; the freedom to think and to learn, to doubt and to question; freedom of expression and of communication; individual freedom freed of individualism; the idea of the equality and fraternity of all peoples, and of their human dignity. Not all of this originated in Europe, nor was it fulfilled or even respected there either. But it was from Europe that it came to Latin America.

The concept of a socially-oriented private sector and of the institutions linking up its components within a non-State public sphere

represents an alternative to the blind alley into which we have been led by the State and private adherents of the logic of capital and its power. The backdrop for this Latin American concept is the fact that Latin America is the oldest and most continuous source in the world today of an historical rationale shaped by the amalgamation of

the victories of reason won in all the cultures of the globe. The utopia of a rationale that would liberate society is more than just an enlightened vision in the Latin America of today. Its threads have begun to be woven into a part of our daily life. This rationale may be repressed, perhaps even defeated; but it cannot be ignored.

## VI

### The issues and the risks

Many far-reaching issues are raised at this point. Within the limited scope of this article, I cannot hope even to address all of the most important ones, much less discuss them in depth. Some of them should at least be identified, however.

First of all, there is an evident need to redefine the whole issue of what is public and what is private, and not only within the framework of the current debate going on in Latin America. It seems to me to be relatively less difficult to grasp the idea and image of a different type of private sector which is basically opposed to that of private ownership and the power structure that goes along with it. I believe something more needs to be said, however, about the idea of a non-State public sphere, which is both distinct from and opposed to the State and its public sector.

One important aspect of this question of what is public and what is private is that, within the relationship established between the two within the capitalist system (and, in general, within any power structure which includes the State), the private sector represents an independent sphere of social practices and institutions which are counterposed to those of the State at the same time that they are linked to it and are expressed through it. In this connection, the main issue is the independence of the private sphere from the State and its ability to exert a major influence over society. Within this contradictory relationship, the public institutions which establish links among various practices in civil society are not as visible as are the public institutions of the State. The State is, by nature, a sphere of practices and institutions which stand

above and outside the sphere of daily life within civil society. These types of conflicts do not arise between the socially-oriented private and non-State public sectors, since the public sphere exists only as a means of linking up the various components of the socially-oriented private sphere; indeed, this could not be otherwise without changing the very nature of the non-State public sphere and converting it into a State. In contrast, all States are able to exist, and to establish and perpetuate their specific institutions, not only outside the scope of civil society, but often in opposition to its institutions. This peculiar type of clash can be observed throughout the history of Latin America. In the debate concerning the State and civil society in Latin America, the former is one of the most indistinct concepts, precisely because the best-known analysis of it is based on the assumption that State institutions are in keeping with the character of civil society and thus fails even to question the representativeness of this State. The whole of the regions' historical experience runs counter to these assumptions, however. And now, given the present situation, a crisis has clearly arisen in respect of the question of representation as well.

This issue brings us back to the subject of freedom and democracy in relation to the public and private spheres, which is a pivotal element in the current debate going on both inside and outside Latin America. As everyone knows, today a leading school of thought, of Scottish-Anglo-North American origins, in the field of political theory views individual freedoms as being features of the private sphere which must be defended against public/State interference.

On the other hand, however, it focuses on the need for law and order, which must be imposed and defended by the State. Thus, a contradictory relationship is set up between freedom, on the one hand, and law and order, on the other, which at bottom reflects the relationship existing between the State and civil society. The problem, then, remains unresolved; nor does this focus provide any prospect of a solution other than the empirical one which is to be found in the none too attractive history of the trade-offs made between order and freedom, especially in Latin America.

I therefore contend that it is not surprising that the instrumental rationale —rather than the historical rationale of liberation— is the one which governs the relationships between freedom and order in both theory and practice, even though the idea of political freedom is one of the victories of modernity. This points up the fact that the relationships between personal freedom and the needs of society as a whole (i.e., "order") are radically different within the context of the relationships between the socially-oriented private and non-State public sectors. In this setting, the needs of society as a whole, as expressed in the non-State public sphere, are not and could not be anything other than the articulation of the needs of the socially-oriented private sector. This is why there is neither opposition nor conflict between the requirements of collective solidarity, reciprocity and democracy, on the one hand, and the requirements for the differentiated self-fulfilment of the individual, on the other.

The defence of personal freedom and even of equality may not, given certain conditions, be so difficult to achieve within the private sphere. Throughout history, the problem has always been how to establish them and exercise them within the public sphere, which is where they are at risk. Within the framework of the relationships between the private and State sectors, it has thus far proved possible, for all intents and purposes, for personal freedom to be exercised only by some people at the expense of others. There are always some who are not only "more equal" than others, but also more free. Within the alternative framework, however, "order" cannot be the result of anything but the personal freedom of all; but this is precisely what order

does not and cannot do within the context of the relationships existing between the State and society. This type of order always upholds the freedom of some at the cost of the freedom of others. It thus becomes evident that the relationship between the socially-oriented private and non-State public spheres which is emerging in Latin America makes it necessary to regard the issue of freedom and democracy in a different light and from a different angle.

Returning to the concept of socially-oriented private activity, this idea makes it possible to consider the issue of production and distribution, as well as their prospects and foundations, within a new context. This involves the question of reciprocity, which has been presented earlier in this article as one of the main and necessary elements of a different concept of private activity. The mercantile or capitalist concept of private endeavour is based on the supplantation of reciprocity by the market; within the context of the socially-oriented private sector, however, the market cannot play the same role or cannot have the same character. Although, in the course of the current debate in this connection, the idea of the market has been transformed into an almost mystical concept, it is surely obvious to the entire world that it involves nothing less than an alignment of forces. In other words, it involves a power-based relationship, a power structure, or at least a component and instance thereof. This is why the rationale of the market is incapable of accommodating any type of reasoning other than the most blatant sort of instrumental rationale. By its very nature, the market rules out the possibility of reciprocity, or allows for its presence only as a means to its own ends, and then only on an exceptional basis. Reciprocity is a special type of exchange; it is not necessarily related to value in terms of the objects involved in a transaction, but instead tends to be based on value in terms of usefulness. It is not a question of an abstract equivalence whereby the commonality of objects is what counts, but rather their diversity. In one sense, it is an exchange of services which can take the form of an exchange of objects but need not always nor necessarily do so. It is therefore more practicable to associate reciprocity with equality and solidarity. Reciprocity is not a single, well-defined concept nor is there just one way of practising it, at least insofar as it

is defined in the anthropological literature. Nonetheless, it is safe to say that, whereas the market involves the fragmentation and differentiation of interests within society and is coupled with an atomistic world view, reciprocity involves the linkage of interests within society and is part of an aggregative concept of the world.

In the history of the Andean zone, for example, the presence of reciprocity did not prevent the exercise of power and domination. Nevertheless, it did act at both the base and the apex of the ruling structure as a mechanism of solidarity, as a form of exchange between equals and, at the same time, as a mechanism for articulation and solidarity between the rulers and the ruled, between groups that were not on an equal footing. This suggests that reciprocity does not necessarily imply equality. But, unlike the market, it does imply solidarity. Within the context of the market, people act only as agents for the exchange of equivalent objects. Within the framework of reciprocity, objects are no more than symbols of people themselves. The market is, by nature, impersonal. Reciprocity is personal.

As part of the current process of establishing social practices, reciprocity is linked to equality, freedom and democracy, rather than only to solidarity. This constitutes a visible indication of the convergence of the Andean rationale and the rationale of European modernity. Even though the former is not, therefore, completely free from the onslaught of potentially dominant forces, in this new context it can be considered as a basis for a new type of rationale borne of a history that has been enriched by many other different histories. Nevertheless, it should also be regarded as part of a power structure rather than as some sort of mechanism by which all power is eliminated. The co-ordinated diversity which reciprocity entails, social solidarity, social equality and personal freedom, when seen as components of a new system of democracy, do not imply the dissolution of all power. Democracy, no matter how *demos* it may be, is also *cratos*. This is, for that matter, implicit in the formation of a public sphere within this new private environment. However, this is necessarily a different type of power structure than that linking the capitalist private and State sectors. In

this new type of structure, power regains its social dimension; there is an enormous demand for a politically direct form of social expression which is not necessarily channelled through the State.

This issue is too important to be omitted from the present discussion. It is essential to underscore the fact that these new types of public and private practices cannot gain ascendancy among social practices as a whole unless they represent an alternative sort of power. Private enterprise in its current form, together with the corresponding type of State, will not cease to try to obstruct, divide, distort or eliminate these new institutions, which will only be able to develop and to consolidate themselves if they are powerful enough to defend themselves against the present power structure and, ultimately, to win out over it. Unlike other options, this alternative power is not only a goal but also a road to that goal, and we are currently travelling down that road.

This is not the proper place to raise issues whose consideration would carry us beyond the scope of this discussion. I believe that what has been said up to this point provides sufficient material with which to initiate a debate. It is, however, necessary to provide a few explanations and clarifications.

Some people have wondered whether, because such socially-oriented private and non-State public institutions, are based on reciprocity and solidarity, they might not be a phenomenon found only in certain cultural or even, perhaps, ethnic areas in which reciprocity is a key element in the cultural history (as, for example, in the Andean culture). But, they ask, what do such practices have to do with other areas of Latin America, particularly the countries of the Southern Cone?

There is no doubt about the fact that these new types of social practices, which embody a new historical rationale, are accepted and cultivated more easily in areas where they are rooted in the historical legacy of the past. This is certainly the case among the population of Andean origin. Nonetheless, there is a great deal of documentation of the same types of practices in virtually all sectors of the urban population that have become impoverished during the long crisis

being experienced today, in all or almost all of the Latin American countries. Sufficient evidence to this effect can be found in the history of the invasions and settlement of urban land which have taken place in the region by examining the forms of organization, mobilization and subsistence to be observed in these cases. This has been a fairly recent part of Chile's history, for example. In that country, recent research projects concerning the agrarian process since 1973 have indicated that peasant communities have been established in areas formerly inhabited only by small landowners or tenant farmers because some groups of peasants have discovered that they can survive only by pooling their small farms and scant resources. This discovery of reciprocity and solidarity among equals as a means of survival does not necessarily, then, occur only as an extension of a people's own cultural history; nor is it always solely a response to an ultimate need, such as survival. It may also occur as a response to the need for a collective historical perspective in order to withstand the collapse of those which were formerly in dominant or firmly entrenched. One good example of this is the wide-ranging network of organizations formed by Christians who uphold the theology of liberation, the poor, the persecuted and core groups of intellectuals and professionals as they band together in resistance movements throughout all the countries of the region.

Recently, in some countries (such as Peru, for example), slogans such as "self-management", "associative enterprises", etc., have been used to describe institutions which are basically bureaucratic but which are nevertheless depicted—in what amounts to a successful advertising campaign, especially outside the country—as being institutions of a system of direct democracy. The social groups associated with so-called "self-managing" bodies were thus seen as laying the foundations for a corporative reorganization of the State as a means of overcoming a very protracted crisis of representation. These schemes failed, chiefly due to contradictions within the system supporting them, and their objectives were therefore not achieved; hence, the crisis has only grown worse, thereby strengthening the long-standing belief among many people that the past was a better time than the present. In Latin America, the past

few decades have been so disastrous for so many people that they have come to think that only something worse can be expected from the future. This gives rise to the suspicion that the new types of social practices characteristic of the socially-oriented private and non-State public sectors are always, or may be, in danger of being redefined and distorted. This danger is a very real one, as is the more open sort of repression aimed at the destruction of these practices rather than only at their improper appropriation or distortion.

A similar definition of terms may be called for with respect to the whole range of ideological and political derivations associated with the concept of the "informal sector", which is referred to so frequently these days in Latin America. Within the scope of this discussion it will suffice, for the moment, to underscore something which was said earlier. In the world of the *barriada* (or in the slum dwellings and shantytowns, whatever the name used to refer to them, in the various countries) the normative structures of the market and of capitalism coexist with, oppose and rely on those of reciprocity and solidarity and vice versa. A large part of the population moves easily back and forth between these two normative contexts as their needs dictate, which suggests that their adherence and loyalties to one or the other are not yet completely defined. In this not only psycho-social but also structural sense, this population continues to be a marginal one which forms part of the great social diversity characterizing the structure of Latin American society today. The "informal" economy is, to a great extent, made up of this population, although another part of it is formed by people who definitely espouse the logic and norms of capital and its interests. The clash between the outlook associated with the logic and interests of capital and that corresponding to an approach based on reciprocity and solidarity is exploited, to the benefit of the former, by certain political movements.

Obviously, for "neoliberalism", nothing could be more laudable than the so-called "informal" economy; within its sphere, the rules of the market can function with the greatest possible freedom; the quality and price of products (goods or services) are subject to no controls

whatsoever; wages are not governed by any sort of legislation; there is no social security, no vacations, benefits or union rights. No one pays any direct taxes, even though everyone uses services provided by the State. No form of organization by exploited groups within the sector would be tolerated. All this makes it possible for a complicated apparatus to exist which links large-scale "formal" enterprise with "informal" labour and markets. It is obvious who benefits from this arrangement, since no "informal" economy is really divorced from the overall financial apparatus of capital interests in each country, and nobody has demonstrated the existence of any sort of blockage or breakdown in the channels by which value and profits are transferred between the "informal" and "formal" economies. This does not detract from the exceptional energy and initiative exhibited by "informal" workers in their daily lives as they manage to survive under crisis conditions, to produce and earn, and to obtain work, income and housing outside the scope of the State and sometimes against its will. All of this, certainly, can and should be promoted and developed. But it may also be directed and channelled, and therein lies the problem: will it be directed towards the more complete develop-

ment of capital or towards solidarity, reciprocity, and direct democracy for producers?

Caution must be used in underlining this point. It is not merely a question of choosing between statism and control, on the one hand, or the freedom of the market and of profit-making on the other. The advocates of the second alternative depict it as being the only real way of safeguarding democracy against the danger of statist totalitarianism represented by the first option. This is a false dichotomy, however. In the final analysis, the other path leads to the same thing, to vertical corporate structures which can and do compete with the State, but which are invariably closely linked to it. The private/State dichotomy is no more than a distinction between two components of the same instrumental rationale, whose ascendancy has ended up by producing an extremely protracted crisis and the present situation of disorder and confusion.

Capitalist statism and privatism are actually the Scylla and Charybdis of the navigators of contemporary history. We need not choose between them or fear them. Today, the ship of the liberating rationale is propelled forward by the fresh winds of a new hope.

# Meaning and function of the University: the view of Medina Echavarría

*Aldo Solari\**

Medina Echavarría's thinking on the subject of the University can easily be outlined. However, a detailed treatment implies the double task of dealing both with the variety of situations in Latin American universities and with the complexity of Medina's thinking. Each of these tasks is difficult enough in itself; together, they constitute an almost insuperable challenge, at least for my abilities. I have therefore concluded that the most sensible method might perhaps be to examine what are or what were Medina's main concerns with respect to the University, and the extent to which its subsequent development has met those concerns or to what degree they have lost their validity.

It is common knowledge that Medina Echavarría was a great sociologist. However, his thinking reached far beyond the canons of a discipline which he cultivated with unshakable rigour and with a clear awareness of its limitations. In the old and good sense of the term, Medina was a humanist. It is thus not surprising that he should analyse the Latin American University in terms of three dimensions. The first of them, the sociological dimension as such, was concerned with interpretation of the causes and consequences of the various social factors which invested the University with its peculiar characteristics and determined the challenges which it must take up. The second is a philosophical dimension and has to do with the concept of the University in his writings. Lastly, and certainly no less important, there is the ethical dimension, an ethic of responsibility in the Weberian sense, concerning the way in which the leaders of society, and particularly the universities, should behave if the essence of that concept of the University was not to succumb to the social pressures which threatened it.

The first dimension, the sociological interpretation of the University, can only be understood within the more general framework of the role of education in modern industrial societies. It is the most developed societies "which perceive the cardinal problem of the age to be the need fully to understand and take into account the connections between education, the state of the economy and the social structure" (p. 105).<sup>1</sup>

This concern implies at least three principles. The first is the pressure of widespread egalitarianism. "Fundamental democratization" implies the generalization of secondary education, a development which is almost complete, and gradually of higher education as well. The second is the need to maintain and expand the production capacity, i.e., to provide all citizens with an increasingly high level of training. The third is the general technification of existence, what Skelsky has called "the pre-moulding of life by science", a topic to which Medina constantly returns in his writings.

Education is thus a factor in social development and an instrument of social transformation. Several substantive questions arise in both these connections, but I have been forced to omit them for reasons of space. There is one, however, which must be mentioned. The need for education to constitute an adequate source of training, i.e., one tailored to development needs. This requirement affects all standards or levels of education, but it is particularly pressing with respect to higher education, "which is the level which has to supply the technical and administrative managers of this kind of society" (p. 133). This functional role has to be made compatible in some way with other kinds of needs, "no less urgent ones, which derive from

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<sup>1</sup>All the page references in this article refer to José Medina Echavarría, *Filosofía, educación y desarrollo*, Mexico City, Siglo XXI Editores, second edition, 1970.

education's traditional task. The two aspects of this traditional task, which the classical sociology of education has always emphasized, are of course, on the one hand, the transmission to young generations by adult generations of a specific cultural heritage; and, on the other hand, the role of this transmission function in the maintenance of the social cohesion of a given society" (pp. 133 and 134).

The requirements of these different functions are not incompatible in themselves, but nor are they easy to harmonize. For tensions emerge from the different needs which, by its very nature, education, considered from the sociological standpoint, must seek to satisfy. The new and the old requirements and their harmonization impose the necessity of profound transformations in the education system and of course in the University. Medina took a special interest in these changes and it is worth quoting the way in which he stated this concern. "The question is, why are certain changes in the Latin American universities so difficult, yet apparently so essential?" (p. 143).

In order to elucidate this question it is necessary to recall the more general factors which prompt on all sides proposals for university reform. They are essentially two: the increasing "mass extension" of the University and the intensive and widespread pre-moulding of life by science. At the time when he was writing, Medina attached less importance to the "mass extension". He thought that phenomena of that kind were untypical in Latin America. "And when the difficulties entailed by this phenomenon are analysed, they are found to be due to the weaknesses of university organization itself rather than to the effects of the supposed avalanche" (p. 149). Today we know that this avalanche is far from being "supposed". The growth in the middle classes to which Medina himself alluded and the influence of other factors have made it impossible to contain the increase in university enrollment. Paradoxically, this phenomenon also occurs in countries which have not been able to make primary education universal.

As well as assigning secondary importance to this mass extension, Medina thought that the most important and decisive factor for the sociological analysis of the university situation in the

various countries of Latin America was the degree of pre-moulding of life by science. "The Latin American societies are still not impregnated jointly and homogeneously with this pre-moulding of life by science which is the dominant feature of the industrialized societies" (pp. 149 and 150). In other words, the differences between and within the Latin American societies in this respect mean that the demands made by the social system on the universities are not the same everywhere. However, the demands for an increasing functional differentiation of universities are quite widespread. In simple terms, they have to do with science and research, vocational training and cultural training. "All vigorous university systems manage somehow to satisfy the demands of these three functions" (p. 154).

In the case of Latin America it is the universities themselves which have to some extent kept ahead of social pressures, establishing vocational courses in response to the new demands of development. Despite this, the universities have not proved strong enough to take up this challenge without prejudice to their basic tasks: "These are: 1) to expand and improve the vocational-training function in view of the needs stated in the economic development plans; 2) to make good the deficiencies of secondary education and thus to strengthen the cultural function—more out of necessity than in compliance with a doctrine. All the more so when it is a question of serving as a necessary instrument for completion of national integration, which has still not been achieved in some places; 3) to foster pure science and a broad programme of scientific research, research dictated not only by the acknowledged gaps in the system of sciences but rather and primarily by problems requiring more urgent solution" (p. 162).

At a time when almost all of us were obsessed with the theory of the training of human resources and the corresponding planning of the requirements, Medina thought that the main difficulty was for the universities to accept the rigours of planning as he conceived it. He was no doubt right. It should not be forgotten, however, that the essential conditions of his approach never obtained, and it is difficult to see them being established in the foreseeable future.



Medina held that educational planning was impossible unless the planners had a very clear idea as to what kind of society they were planning for; or, to put it another way, the type of person which they were trying to train for a specific society (p. 141). This is true, although it means that the society or its dominant groups must be clear about this as well, so that the planners have no alternative but to act accordingly, unless they merely wish to build castles in the air without any social foundations. It is a commonplace that the desired type of society and person are never clear, to say the least, in the Latin American societies. There is every indication of the continued existence of intense conflict over societal projects overlying the unanimity on generic principles which mean nothing because they involve no concrete commitments. The lack of such a clear political project is the reason why the countries of Latin America have had many plans and many planners but never any planning as such. The greatest achievement of this effort to modernize by transplant, which is what educational planning amounts to, has been the more or less accurate diagnoses—as forecasts, not as transformations—of future trends.

Medina thought that in a planning process diagnosis will only achieve its true meaning if it is made in the light of the desired objective. The point, in fact, was to estimate correctly the distance between the present state and the desired state and to identify the tools needed for attaining that state. Since this was not possible, I think that there was created a kind of diagnostic code indicating what has to be known about a country's situation. The universities have only been able to do this, except in very special situations, by embodying in their plans the consensus for a degree of continuity instead of the consensus for genuine change.

On the other hand, the expansion of university education has been so evident that there is no need to cite figures to confirm its scale. Latin American universities have reacted in different ways, and very detailed reports would be required in order to convey the full complexity of the situation. In general terms, however, it can be said that "for reasons easily understood, the worst consequences of this process have been coped with much better by the elitist private

universities than by the public ones. By limiting their intakes and transplanting the North American model, many private universities have resisted the expansion process or have absorbed it without detriment to the standards which a select clientele considers satisfactory. This has not prevented the proliferation in some countries of small private universities with very poor standards and with no resources that would make them worthy of the name of university, but which satisfy the more modest aspirations of a different clientele. It is usually the public universities which have paid the dearest cost of expansion. The explosive growth of enrollment in public universities can nowhere be accompanied by a like growth in financial resources.

But there is something even more serious, something which had worried Medina. Admissions are growing much more quickly than the supply of suitably qualified teachers. Accordingly, large numbers of poorly trained teachers are hired, and existing teachers are asked to lecture with the aid of a microphone in order to be heard in a vast hall or, more commonly, both procedures are used. To this drop in standards is added the fact that the University is being converted into an institution increasingly concerned with certifying knowledge, despite the steady decline in the likelihood of its success in this purely vocational task. As Medina had seen, a sharp contraction occurs in the "space of young people's education".

The pressures are irresistible, and in many countries any measure limiting admission to university is considered incompatible with the requirements of democratization. There is thus a proliferation of preliminary courses, sometimes called general studies—a term which Medina did not like—or even basic studies. The justification of these changes is quite simple. The aim is to discharge one of the great functions of the University—the transmission of a cultural heritage which should never be neglected because of the requirements of vocational training. But although this function exists, it is quite clear that other functions, often more important ones, also exist. In most cases it is not a question—because it would actually be impossible—of transmitting a cultural heritage at the traditional university standard but rather of the much more modest task of making good the defects of secondary education.

Clearly, this stage also functions as a prior selection system for the vocational courses. In the past, students entered these courses directly; now they still enter university directly but at a lower level. It is interesting to note that in the past some vocational courses never neglected to transmit the cultural heritage, for they were trying to train not just professionals but ruling groups as well. Medina paid a tribute to the success of faculties or schools of law in performing this function. It is therefore not sufficient to justify preliminary courses by reference to the need to provide something more than purely vocational training, for while that would justify the necessity of the content, the failure to impart this content earlier would require a different justification. It lies in this function of screening for the vocational courses. In some universities the preliminary courses also perform a function of "political socialization", for the social sciences occupy a leading or exclusive place at this stage, because the level at which they are taught to the students favours ideological rather than scientific discourse.

In this way, as indeed might have happened by many other routes, we encounter a problem which caused Medina great concern: the problem of the University in its political aspect and, specifically, the problem of the relationship between the University and the State. History shows how complex and hazardous this relationship has been. It also shows that free universities have been compatible with régimes offering little or no political pluralism.

University reform is essential in the Latin American situation. There are three feasible kinds of change: political ones, which originate from the State; corporative ones, which emerge from the University itself; and those changes in which the parallel efforts of the University and the State converge. Changes of a political kind have a long history in Latin America and it is worth making a brief analysis of the most recent ones, i.e., those undertaken by the authoritarian governments which Medina did not have an opportunity to study. The most notorious of these authoritarian interventions was the attempt at "ideological purification", for want of a better name. All teachers, and even administrators declared to be or suspected of being "Leftist" were excluded from the universities. In their

place were appointed rectors, deans, teachers and administrators who were "ideologically pure", i.e., uncontaminated from near or far by the Marxist virus. This process was obviously very painful for its victims, who regarded it as a great transformation of the University and today they also regard their readmission as a great change; this is no doubt true in general terms.

It is impossible not to wonder about the significance of this process in institutional terms. When he referred to reforms of a political kind, Medina was thinking of those reforms "which had placed the University on completely new or rebuilt foundations" (p. 165). Did this process involve any genuine reforms? It is hard to believe that it did, certainly not in Medina's terms. The structural changes were very timid and they therefore produced very meager results. This is perfectly consistent with the publications on questions of national security. The cases in which national security requires education to undergo substantial change are few and far between. The danger lay in the ideological leanings attributed to most of the teachers. Once these teachers had been removed and replaced by persons with the right attitude, i.e., favourable to the régime, it was thought that the basic task had been accomplished. These developments were accompanied, obviously, by the suppression of courses which were "dangerous" owing to their ideological connotations, such as sociology, or by the banning of the use of certain texts in the teaching of sociology. The decision to exorcise the "danger" inherent in certain courses was taken to absurd lengths. For example, in Uruguay a new course, concerned strictly with the natural sciences, was eliminated because its first graduates had been "Tupamaros". In general terms, however, the problems of very different kinds which affected the universities under the authoritarian régimes led to so few genuinely structural changes that it is impossible to speak of a reform or, if you like, of a counter reform. This is confirmed by what happened when democracy was restored: large numbers of people returned to their posts in a virtually unchanged organic structure.

The general plan under the authoritarian régimes emphasized the strictly vocational function at the expense of the transmission of the cultural heritage; however, except in a few cases,

the inflexibility and resistance of the universities meant that the change was more in form than in substance.

It is a strange fact, and one warranting an analysis which cannot be made here, that even when the doctrine of national security manifested a true obsession with the problem of education, there was no education plan worthy of the name. For example, in a lengthy document in which this doctrine is expounded and applied with reference to Uruguay, written eight years after the *coup d'état*, the teaching profession is subjected to specific analysis. There are three initial assumptions: i) that virtually all the leaders and a high proportion of the members of the teaching profession profess Leftist ideologies; ii) that they use the classroom to impart these ideologies to their students; iii) that they succeed in this purpose. Education, especially secondary and higher education, is regarded as a mechanism for the production and reproduction of Leftism. Since the authors of this document have no doubt at all about the actual capacity of education systems to transmit values and ideologies, good conservative teachers are regarded as agents capable of turning this situation around. This whole problem amounts, in essence, to a question of selection of teachers and not of transformation of the system's structures. These structures need to be changed only if, as in the case of certain legislation or regulations, they prevent those responsible for personnel selection from acting with maximum freedom. But this eagerness to abolish the rules which guarantee rights is typical of authoritarian régimes and represents a general phenomenon which transcends the purely educational sphere.

Although unintentionally, these régimes brought about important changes in the area of research which produced a proliferation of private centres, concerned particularly with the social sciences and usually supported by foreign foundations. Designed to provide a replacement for the research work which could no longer be done in the universities, these institutions managed to achieve a much higher level than they had had in the past. Here, and again unintentionally, they demonstrated how unfavourable the university ambience is for research. Following the return to democracy, it has become more difficult for these centres to obtain sufficient

funding, for the circumstances which justified their creation and operation no longer obtain. However, they have continued to operate, and the most significant development is that many researchers expelled from the universities under the authoritarian régimes have preferred to remain in these private centres.

The new democratic régimes restored the guarantees which the universities had traditionally enjoyed, but they showed little interest in promoting in this sphere plans for political reform, in the sense which Medina attached to this concept. In other words, the restoration of democracy left the field open for reforms of the corporative type. It is well to remember, before attempting to analyse these latter reforms, that although Medina was unambiguously opposed to strictly political intervention in university affairs, he assigned considerable responsibility for what happened to the universities themselves. "This kind of intervention has been due in many cases more to the weakness of the universities' claims than to the vigour of political ambitions" (p. 163). Or, put another way, "the University needs the social legitimacy of a universally recognized authority in order to face up to the State. And it does not have this authority if its prestige as an institution is wanting. This goes far beyond the case —common enough— of the 'politicization' of the University which itself invites, owing to confusion of limits, interference by the State" (p. 164).

These texts are thus open to two interpretations. Firstly, the University is incapable of securing proper legitimacy and therefore of offering resistance perceived to be legitimate to the manifestly illegitimate encroachments of political power. The second and even worse interpretation is that, in addition to its inability to establish its own legitimacy, it is the University itself which destroys that legitimacy by becoming totally politicized. In the first case, it lacks the necessary instruments to resist intervention which is in any event arbitrary; in the second case, it all happens as if the University had wanted it to. This approach is connected with Medina's poor opinion of corporative reforms and, specifically, of the reforms carried out in Córdoba, which in his view initiated the politicization of a number of universities, a development which has proved to be their greatest peril.

The familiar distinction between cloistered, militant and participant universities, in which sociological hypothesis and philosophical assumption are virtually inextricably combined, stems from these concerns. A cloistered university is always the exception and it is totally unviable in Latin America. Its antithesis, the militant university, is no less so. For "it puts an end to the University itself". In other words, if the University seeks to transform itself or if it becomes a microcosm which reproduces exactly the conflicts and passions of the world, its inherent scientific task fades away and "all that is left is shouts instead of reasons". Medina of course was in favour of the "participant" University, i.e., an institution which, among other functions, attaches special importance to analysis of contemporary problems but does so from a distance, with the characteristic objectivity and spiritual tranquility of scientific work.

Earlier, both during and after the military interventions, Latin America had known the phenomenon of militant universities. I personally believe that this is something as undesirable as it is inexplicable. Universities, especially the big ones, are important power centres which find it difficult to avoid political confrontation and are more likely to attract it instead. The apolitical solutions or, to put it better, those which Medina called genuine participant universities are very rare. What we have is a complex set of "militant" forms.

Often, and this occurs above all in private universities, there is an unopposed group which promotes a clearly defined political plan. Whatever the power of this group within the society as a whole—and clearly it must have some—this development is a trial for the University. Sometimes this situation lends itself to equivocation. If the group in question is fairly ingenious, it can give the impression that its behaviour is consistent with strictly academic standards and that the University which it controls is genuinely "participant" because it is concerning itself with contemporary problems. In other cases, the internal power is distributed among all the political groups of any weight within the whole society. Latin America has also experienced the phenomenon of universities, which transform themselves into centres of political opposition to the government. In extreme cases, such as the

situation which developed at the time in the universities of Caracas and Montevideo, the "militancy" actually became what I would call "delirium". This is what happens when the dominant groups or those which appear to themselves to be dominant seek to transform a university into a basic tool of "total revolution". Exclusive ideological propaganda takes the place of scientific research and seeks systematically to don its vestments.

The processes of redemocratization seem to have been accompanied by a decline in the intensity of the phenomenon of "militant" universities; this decline seems to have been helped on its way by, amongst other factors, the substantial changes in the composition of enrollment. Be that as it may, there is no doubt that the reforms on which the State and the University agree are hard to bring about.

Perhaps the best way to view the situation of the University in Latin America and its inability to perform its higher functions is to consider, as a conclusion to this article, this thought of Medina: "The openness of a university's activities to the world—its only means of influencing the world—is therefore found only in "participant" universities, i.e., ones which are neither militant nor cloistered. A "participant university" is one which tackles the problems of the day by taking them as a subject for rigorous scientific study, with a view to establishing only what can be said from that standpoint. The criterion of the objective neutrality of science was established long ago. And although the sociology of knowledge believes today that it has discovered the secrets of its genesis—which in no way affect the nature of its validity—and although it can spend much time debating the range of the limits within which it seems acceptable, there is no doubt that the unshakable principle of the university dialogue will survive as long as science itself".

"Is the University of today the 'prime mover of history' in Latin America? Is it the place in which 'the highest awareness' of our era unfolds? Does it, in short, offer its spiritual power in all its fullness? Despite the best of wills, the answer is very far from being an emphatic yes and contains worrying reservations" (p. 169).

# The dilemmas of political legitimacy

Francisco C. Weffort\*

*Urgency —the awareness of this urgency— is (...) the essential characteristic of the contemporary Latin American scene.*

*The democratic formula may perish, consumed by the ravages of ineffectiveness. But its death may also be due to a galloping anaemia in the vital sap of its legitimacy. It is important at this point not to entertain any delusions about either threat; the second is much more serious and implacable than the first. (...) the complete evaporation of beliefs, and the total moral collapse implied by the dissolution of that faith —universal anomie in the whole body of society— breeds only despair and extremism.*

José Medina Echavarría

The concept of political legitimacy implies a debate about democracy and politics or, better still, about the possibility of democracy recovering control over the direction of politics after a period in which authoritarian régimes, which did not lack a certain technocratic flavour, discredited democracy to the point of rendering it ridiculous. This means accepting, of course, that the concept of political legitimacy contains an affirmation of principle, one moreover fundamental to any genuinely democratic thinking, which is the primacy of the logic of history over the logic of expediency.

The fact that we are beginning with some abstract conceptual background should not prompt anyone to imagine, fearfully, that the dilemmas of political legitimacy compel us all to take off into the stratosphere. No, at least not all the time. The truth is that when we speak of political legitimacy we are also, and primarily, speaking about very real and very dramatic facts of an historical epoch: of the very epoch in which we happen to live.

The combination of theoretical reasoning with sensitivity to the living experience of history is one of the most attractive features of the thinking of José Medina Echavarría, the great Spanish teacher who, after the Civil War, made Latin America his second country. I also suspect that it will not escape the student of sociology and politics that many of the thoughts which I am about to offer owe their inspiration to Medina, even though the aim is to understand a historical period in which he, unfortunately, can no longer participate. And, as was characteristic of his thinking, and indeed of any thinking which seeks to illumine events and ideas, it is necessary whenever possible to begin by defining what you are talking about. That is precisely why concepts exist and why the first part of this article deals mainly with concepts. I examine subsequently the crisis of certain Latin American countries. (I know that all of them are in crisis but I refer only to some of them.) And in the last section I deal with the dilemmas which I regard as the current dilemmas of political legitimacy and the possibility (only a dream?) of building democracy in this part of the world.

## I

### Legitimacy: description of a concept

In an important work of the early 1960s entitled *Consideraciones sociológicas sobre el desarrollo económico de América Latina*, José Medina,

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with his eyes open to current history, offers a basic description of what sociology and political science understand by political legitimacy: "the gap in the power structure which still tolerates the inadequate transformation of the historical political parties which forged in the past —and

with great success—the system of property is a very serious vacuum because it leaves the roots of legitimacy hanging in the air, without support”.<sup>1</sup> On the following page Medina adds, in an attempt to give concrete meaning to the concept: “It is not impossible that the old classes—the oligarchies of yesteryear—may be capable of winning a new legality if they exert themselves to update their political ‘formula.’” And he continues: “The new organizations—which perhaps have too many defects and shortcomings—of the most important forces of production (...) of modern industrial societies try to fill by peaceful efforts the power vacuum left by the decline of the age-old oligarchy (...).” With his characteristic synthesizing skill, Medina puts to the reader, together with the basic description of a fundamental concept of sociology and politics, the key questions of a whole historical epoch. I will summarize them in four points:

Firstly, when we speak of political legitimacy we refer above all else to the existence, beliefs, standards and values—as suggested by Max Weber, of whose work Medina was indeed the main advocate in Latin America—which shape the arena of social actions and relations, these actions and relations being ways associated with the notion of mutual understanding among the actors. In the specific case of politics, there is talk of the legitimacy of a leader in the eyes of his followers, of a government in the eyes of the citizens of a republic, of a political party in the eyes of its electors, of a class (or élite) as leader of a society, etc. In all cases imaginable, political legitimacy is characterized, however, by a feature specific to the legitimacy of social domination in general. And, again according to Weber, the legitimacy of a relation of social domination will lie in the fact that a person who obeys an order does so as if the order came from an internal disposition, or as if obeying was something in his own interest: “A certain minimum of willingness to obey, i.e., of (external or internal) interest in obeying, is essential in any genuine relation of authority.”<sup>2</sup> In short, the root of the legitimacy of authority lies in the consent of the person who

obeys. Thus we have a very clearly defined concept which can be subjected to very accurate and very specific analysis.

In any event, I think it is important to point out that Medina, and in this case as well he was adhering to the spirit of Weberian sociology, invests the concept with a much broader meaning. With reference to political legitimacy he mentions, in addition to relations of political domination, the existence of a social system. He refers to the system of property, which he believes to contain the matrix of the social, economic and political organization of traditional Latin America. The presence of this system is quite obvious at the political level. For Medina, property is “both protector and oppressor, i.e., authoritarian and paternal. And this image of the relations of subordination—protection and obedience, arbitrary acts and kindness, faithfulness and resentment, violence and gentleness— (...) is maintained intact for a long time when the king is succeeded by the President of the Republic. The model of authority created by property extends and penetrates into all the relations of authority and embodies the persisting representation of the people in the model”.<sup>3</sup>

In the 1960s, when Medina wrote this book, the society and the State which the system of property had produced were in the third or fourth decade of their ongoing crisis, a long crisis which brought clearly into focus the ruins of a disappearing epoch, at the same time that it announced the emergence of a new historical phase. For Medina, this was the appearance of a new society, of a new, modern, urban and industrial social system, no longer rooted in property but in business and the town.

Secondly, when we speak of political legitimacy we refer not only to a social system but also to a ruling class. In Medina, the concept of ruling class has various origins which will be described below. However, the investigation has declared origins in the young Max Weber, wrestling with the vicissitudes of the Bismarckian system and seeking another class to rule Germany which

<sup>1</sup>José Medina Echavarría, *Consideraciones sociológicas sobre el desarrollo económico de América Latina*, Buenos Aires: Editora Solar/Hachette, 1964.

<sup>2</sup>Max Weber, *Wirtschaft und Gesellschaft*. It is interesting to note that José Medina Echavarría was the main translator of this

great work of Weber's into Spanish. The first edition of this work in Spanish dates to 1944, i.e., to the time of the Second World War; Medina, who at that time was in exile in Mexico, had drafted the “Introductory note to the first Spanish edition”.

<sup>3</sup>Medina Echavarría, *op. cit.*, p. 34.

was not the "old class" of the *Junkers*. Weber provides the model, but the investigation is typically Latin American: "In the Latin America of today, where are the groups of men capable of completing the intensive process of transformation which is shaking the continent? To which classes can we turn for support? To the political class born of the system of property which governed, not unsuccessfully, for a long period of its history? To the new bourgeois class born of exports and industry? To the very new proletarian class, barely organized and with scant experience of ruling?"<sup>4</sup>

In the 1960s, many of us who worked with Medina —and we benefitted both from his exceptional culture and from his breadth of mind and his kindly tolerance of differing opinions, in particular those of his disciples— invested the concept of ruling class with a much larger and more ambitious meaning. It was without the slightest doubt an echo of our fascination with a certain concept of a Marxism which I will not call vulgar, but certainly romantic. Following the example of the redeeming mission which the young Marx attributed to the proletariat, the ruling class was something more than merely a ruling class: it was for some of us the vehicle of the potential of the future, of the global evolution of society and of a dream of the redemption of mankind. It is interesting to note that this idealization of the concept of ruling class —a concept constructed on the Utopian expectations invested in the proletariat— retained its validity, even when the class in question, as a candidate for power, was the bourgeoisie. This can easily be verified in the writings of those who still believed at that time in the historical possibilities of the so-called "national bourgeoisie". Moreover, many of those who thought in this way were indeed of Marxist training.

Medina certainly regarded the ruling class as having a capacity for action and transformation with respect to society, but, interpreting the concept in a meaning closer to Gaetano Mosca, Raymond Aron and Schumpeter, he conceived of an historical protagonist of more modest (more realistic?) proportions. As the vehicle of a "political formula", i.e., of a set of justifications for an order and a system, the ruling class must

propose a régime, or a "legality", which must be legitimate (for as we know, not all legality is legitimate) and effective. Furthermore, it must be capable of "completing" a process of transformation which is already under way, i.e., the metamorphosis of Latin America into a modern urban and industrial society.

We are therefore far from the notion of revolutionary negativity which in Marxism characterizes both the proletariat today and the bourgeoisie at the time of its revolutionary rise. In the same way, Medina distances himself from the unified or unifying vision which Marxism, through the strength of its concept of the social whole, identifies in the ruling class. (An example of this thoroughgoing unitarism is Marx's famous proposal: the dominant ideas of an epoch are the ideas of the dominant class.) But we are also far from the fragmentary approaches of some contemporary sociologies which are dazzled by the spirit (or lack of spirit?) of what they call post-modernism. For in these fragmentary approaches, which are content with their own inadequacy, both the notion of the governance of society and the notion of society itself lose their meaning, or at least the sense of global society which traditional sociology has always attached to them, whether the source is Marx, Durkheim or Weber.

For a sociology such as Medina's, an outstanding example of traditional sociology, the fragmentary view of society and the fragmentation of thinking should be understood as additional means of expression of a crisis which is so prolonged that it seems to threaten, in our times, the very possibility of a logic of history. Medina thinks, as he puts it, like "an old liberal", and this means that he thinks like a man who believes in human rationality, without that circumstance preventing him from seeing all the violence and irrationality of which men are also capable. Despite all the great dramas and tragedies which he happened to witness during his life, despite fascism and the Spanish Civil War, despite Nazi and Stalinist totalitarianism, despite the great Latin American crisis, Medina believes that history has a meaning and that it is the task of reason to try to comprehend it. After all these "despites", there should not remain in Medina (or in us) many grounds for excessive optimism. But reason must nevertheless make the attempt, unless it is to become barren once and for all.

<sup>4</sup>*Ibid.*, p. 76.

The sociological (political) identification of a ruling class is the very essence of such an attempt. The question Who rules? is also a question about the *meaning* of society and its history. Medina examines the history of Latin America from this standpoint and accords the oligarchies of the past the merit of having established themselves in their time as the ruling class which believes itself on the side of property. Similarly, from this standpoint he also expects that this ruling class will be replaced by another, which emerges "by peaceful efforts" in the process of the formation of a new urban and industrial society.

Thirdly, the concept of political legitimacy therefore militates against recognition of the existence in society of a power structure. Or, as was the case in the 1960s, and still is the case in many countries, of a power crisis. Medina speaks both of a power crisis, of a "gap in the power structure", and of a political vacuum: "a very serious vacuum because it leaves the roots of legitimacy hanging in the air, without support". And there were those who argued, convinced more by the sound of the words than by their meaning and in the pompous tones of false discoveries, that politics, like physics, abhors a vacuum—an argument based on words and therefore of little value.

The point in this case is the importance which Medina attaches to the concept of legitimacy. When he uses the metaphors of "vacuum" and "gap in the power structure", he is merely trying to underline something which is often forgotten: power is not based only on effectiveness (or even on strength); it has to be legitimate. And, as he says in a thought which shocks many people, "when it comes to the pinch, legitimacy is more important than effectiveness", or further on: "People who have inherited the best European tradition will always prefer the possibility of dialogue or, if you like, the perhaps intangible value of legitimacy, over the pragmatism of effectiveness".<sup>5</sup> Could you ask for greater democratic clarity? Could you ask for greater clarity in a criticism of the technocratic evil of a logic of expediency which distorted the meaning of the politics of the 1960s and which, even more

seriously, continued to distort the meaning of politics under the authoritarian régimes of the following decades?

Fourthly, the question of political legitimacy relates directly to the institutional question, the question of political régimes and, in particular the question of political parties. As Medina sees it, the crisis of legitimacy in Latin America is linked directly to the crisis of the "historical parties". These are, for example, the Blancos and the Colorados in Uruguay, the Republicans in the Brazil of the First Republic and, in a more general sense, the liberals and conservatives found on all sides in the old oligarchic régimes of Latin America. I think that this is a specially significant point, when we remember, with Enzo Faletto, that the preoccupation with institutional machinery was not in fashion in the 1960s. At least among sociologists (but it was really more than that—we could speak in this case of the majority of Latin American intellectuals), the institutional question had fallen quite out of fashion.<sup>6</sup>

Medina was thus swimming against the tide when he asserted that political legitimacy, in addition to being a question relating to the social system, to the relations between the classes and to the power structure, was also a question of the then despised institutional forms. When we speak of political legitimacy, we also speak of political parties, of electoral systems, and of government régimes, matters which prompt lengthy digressions in *Consideraciones sociológicas sobre el desarrollo económico de América Latina*. The question of political legitimacy therefore begs the question of "legality", i.e., the whole body of legal institutions which shape the organization of power.

In short, when we speak of political legitimacy, we speak of political democracy, of the democracy which exists or the one which we want to come into existence. "Democracy is, above all, a belief, an illusion if you like, a principle of legitimacy."<sup>7</sup> For, as he says a little earlier, in the immediately preceding paragraph: "...democratic systems depend above all on a convention, i.e., on the belief in the legitimacy of the élite".

<sup>5</sup>I refer to the participation of Enzo Faletto in the seminar on Changing Development Styles in the Future of Latin America.

<sup>7</sup>Medina Echavarría, *op. cit.*, p. 140.

<sup>6</sup>*Ibid.*, p. 129.



## II

## Legitimacy and hegemony: historical concepts

These four requirements which I associate with the notion of political legitimacy should not be understood as merely analytical terms which, as such, would be valid for any historical period. The historical meaning of theoretical proposals of this kind can be understood when Medina acknowledges, for example, in the oligarchic classes of this period of crisis some capacity to rule and some concept of national unity, but he also finds in them an attachment to their private interests which is too great to allow them to act effectively as ruling classes. We are thus dealing with an historical constellation in which, on the one hand, the new Lefts, owing both to the urgency of their immediate problems and to their own structure and idealistic dreams, have a weak concept of national legitimacy and, as a whole, possess weak instincts for power and rule.<sup>8</sup> We find ourselves, as already pointed out, in the field of the celebrated thinking of Max Weber. In order to indicate how far such situations can go, Medina makes many references to events subsequent to Weber, specifically the Weimar Republic, with its connotation of the fragility of civilization and democracy in the path of the brutal avalanche of irrationality and violence.

The concept of political legitimacy therefore has a broad political significance in the thinking of José Medina and compels reflection on aspects of the formation of Latin America and of the Latin American States, at least since the independence movements, many of which were accompanied by historical waves created in Europe by Napoleon's ambitions. "... the fact that liberty —the democratic and constitutional aspiration— is one of the essential elements of the original constellation of Latin America, also entails the first great paradox of its history: to have maintained for so long, in complete contradiction, the formulas of an ideology side by side with the "beliefs" and actual behaviour of daily existence. Over the body of an agrarian structure

and traditional way of life was spread the flimsy cloak of a predominantly liberal and urban doctrine."<sup>9</sup>

In this case, therefore, the construction of legitimate political systems was always more difficult and it affected the very possibility of the existence of a State in our countries. The State emerged when the contradiction was resolved, as it was, moreover, by means of some form of compromise. This "contradiction had its weaknesses and compromises in many places; and where this occurred —as in the case of Chile— the genuine organization of the State began early". Taking Chile, where the State was formed much earlier than in the other countries, as an exception, Medina bases his general rule on the formation of the national State in Argentina, taking the battle of Monte Caseros as the starting point. And he adds that where this compromise occurred, we have the content of the political formula of the oligarchic régimes with their traditional distinction between liberals and conservatives.

The notion of political legitimacy in Medina covers a vast historical field, without risk of losing analytical specificity. If we seek a comparison, we will find it, for example, in Marxist thinking, in the concept of hegemony as understood by Antonio Gramsci. Medina refers to States, classes, governments, beliefs, ideologies, institutions, etc. All of this, instead of diluting his thought, follows a clear thread: the thread of trying to understand the possibility that a society may establish structures of governance which are authorized or consented to by the individual members of society. This means that the question of political legitimacy is related to the capacity of a people to govern itself. And this is what, ultimately, lies at the root of the notion of democracy. And this is what we are talking about, finally, when we assert the primacy of the logic of history over the logic of expediency.

<sup>8</sup>*Ibid.*, p. 101.<sup>9</sup>*Ibid.*, p. 44.

Confidence in logical thinking exacts its toll and sometimes places us in embarrassing situations. If we follow, as I do here and have done in other works,<sup>10</sup> Medina's line of thought which, as already pointed out, I understand to stem from the common root of the classics of sociology and politics, the description of the long period which begins in Latin American history with the 1929 crisis and the changes in the 1930s gives rise to objections which must be dealt with. If we speak of legitimacy in Medina's sense (or of hegemony in Gramsci's sense), with the whole historical panorama which we have been adumbrating so far, the period from the 1930s onwards would encompass more than half a century of crisis of legitimacy or, if you like, more than half a century of crisis of hegemony. The objection is that this would be too long a period for a crisis to endure. Any crisis of such long duration is held to transform itself into its opposite, i.e., into the model of its own normality.

The biggest problem with this criticism is that, although it is reasonable at the level of mere theoretical speculation, it is nevertheless contradicted by history as experienced in the past and as experienced now by the participants and protagonists. The fact is that they saw (and still see) the history of which they were part as a history of crisis, and they participated in it in the awareness that it was indeed a crisis. At some points they saw the crisis as a chronic phenomenon but, as in the case of a chronic illness, this does not mean that the patient enjoys full health; nor does talk of a permanent crisis mean in any way that the society-patient is transformed into a stable society, i.e., one capable of establishing for itself the model of its own organization. Throughout that period it was (and remains) a characteristic feature of the Latin American mind to know that things were (and indeed remain) "mistaken", in some way mistaken, whatever the place and whatever the reasons for the "mistake".

In a way, the reference to crisis implies some notion of historical rationality. I think that the

whole period is described as being in crisis because the crisis, although a lengthy one, includes events which are not encompassed in what we believe, both from the theoretical viewpoint and from the standard viewpoint, the society or the State ought to be. It seems clear to me that in this at least, i.e., in the awareness of the crisis and its emergencies, Latin Americans are implicitly expressing their Western affiliation, i.e., their European origins and legacy, as Medina liked to assert. This capacity to make history and to criticize it has something to do with the Latin American condition, a condition which keeps step with Europe at a distance, but without ever separating completely, a condition which from its remotest origins implies having "maintained for so long, in complete contradiction, the formulas of an ideology side by side with the 'beliefs' and actual behaviour of daily existence". In any event, it is certain that taking all the vicissitudes of that long historical period together, nothing could be worse than the cheap Hegelianism which, however, is sometimes found in the best of circles, and according to which "everything real is rational". Anyone who regards a crisis as normal because it is prolonged is one step from renouncing his theory, if he has one, and two steps from renouncing rationality. This type of intellectual attitude is, in truth, a renunciation of things intellectual. Whenever and wherever it held sway among us, it served only to explain away inequalities and it produced the most sinister forms of the worship of irrationality and violence.

For the moment, I can spend only a few lines on this period of crisis. Accordingly, I will just say that, although it was a period of crisis, it was also without doubt a period of transformation, an example of which is the intensification of industrialization and urbanization as an indicator that society is creating the conditions of its own future reorganization. But, in the absence of the oligarchies or the "old classes", society lacks those groups which Medina calls "substitute élites", which can only emerge from the new classes which are being formed. And, without them, the crisis also infects the institutional system, which is stricken by a chronic instability apparent in the continual threats of *coups d'état* and in political phenomena such as populism and military interventions, both of which are

<sup>10</sup>Much of this article is based on the use which I made of Medina's concept and discussion of political legitimacy in my book *O Populismo na Política Brasileira*, Rio de Janeiro: Editora Paz e Terra, 1986, third edition, particularly in chapter 5, entitled "Liberalismo y oligarquía".

attempts to fill the "vacuum", "the gap in the power structure". And, as is typical of any power structure in crisis, this one is not ruled by the traditional élites but nor is it capable of finding replacements for them. These élites hold their ground by means of attempts at restoration or by

virtue of the strength of their traditional social and cultural prestige, and in any event they have a permanence which, although not ensuring the legitimacy of their claims to social domination, is sufficient to guarantee their survival in the corridors of power.

### III

## Modernization and democracy

How do the dilemmas of political legitimacy present themselves at present? I think it is inevitable to begin by noting the existence of a more or less universal feeling of disillusionment in the democratic countries (or the countries in transition) of Latin America. Perhaps this disillusionment is not specific to the emergent democracies, such as Brazil, or those which are consolidating themselves, such as Argentina. It is perhaps a more general phenomenon and not even specific to Latin America. There is talk, for example, of great disillusionment in Spain with the democracy which has established itself since the decline of Francoism, now embodied in the socialist government. Can there be disillusionment with democracy? Can there be disillusionment with politics in a general sense? Are we returning to the political climate fraught with tension and disrepute which, in the 1960s, opened the way to the installation of the military régimes? Are we witnessing the preliminaries to an historical regression?

The topic of political legitimacy is related to the more general question of the legitimacy of politics as such. This is particularly clear in the case of Brazil, but I think it can be generalized, at least in this aspect, to other countries of Latin America. In the midst of the current crisis, many people doubt that a solution to their problems can be found through politics. For example, there are powerful social pressures which have been repressed for a long time and cannot be dealt with immediately. Whether for this or for some other reason, many people—including both individuals and groups and social sectors—realize that they must solve their problems themselves, outside politics, and this is not to

mention those who are convinced that their own and other people's problems simply have no prospect of solution.

*Movimentismo* and corporativism are a manifestation of this and they express, regardless of the social sector in which they emerge, an anxiety which causes individuals and groups to try to protect themselves in some way in the midst of the crisis. Considering only the known social movements and the groups equipped with a well-developed organizational capacity, we can see signs of this in the poor rural workers' movements and in the teaching profession, as well as in the groups of bankers and industrialists. The reasons of economics and social justice which inspire such diverse groups are clearly very different. It is impossible to treat in the same way the corporativism of certain groups of bankers and the *movimentismo* of certain popular groups. Nor can one fail to see the deterioration in the political climate, an odious climate of "every man for himself".

It is a kind of Hobbesian "state of nature", a kind of "state of war" between the most diverse social groups and economic groups. A person who can obtain unduly large profits (or, as is more often the case, interest at speculative rates) does so without paying too much attention to the protests. A person who can defend himself does so with whatever means are available, although he will sometimes clash with other groups which have similar social interests. And a person who cannot exploit or lacks the capacity to defend himself bears the heaviest burden of the crisis (and of the debt). All of this takes place in the frenzied atmosphere created by galloping inflation of close to 20% a month which nobody

is apparently able to control. Similar observations have been made by Aldo Solari and Jorge Graciarena concerning Uruguay and Argentina.<sup>11</sup>

Perhaps we are not yet in the situation José Medina describes somewhere in his *Consideraciones sociológicas* as generalized anomie. But we are drawing closer to it; at least, it is to be feared that one day we will find ourselves in it. It is not just a crisis of the State, of a State to which is assigned, amongst other ills, responsibility for being a source of inflation and authoritarianism. It is also a situation of demoralization of political activity and of politicians themselves as figures acknowledged by society. If large groups of the civil society do not believe in politics, how will it be possible to contain the current of authoritarianism which, recharged, continues to flow even after the end of the military régimes, as is demonstrated by the admittedly very different examples of Argentina and Brazil? But more important than that: if there is widespread disillusionment with the democracies which recently came into being, what of their chances of consolidation?

However, I do not believe that everything consists of problems and difficulties. Despite its recent experience of dictatorship, Uruguay is probably the best example available in Latin America of how the modernization of a society can sustain a democratic political culture. The same sort of thing can be said about Argentina, at least with respect to the party system. But, even in the case of Brazil, where the agrarian way of life and tradition are much stronger, the process of political transition —driven forward by the struggles of democratic resistance and the

strictly political struggles— has also advanced under the pressure, extra-political as it were, of the modernization of society, i.e., the intensification of the processes of urbanization and industrialization. These processes, of course, date from long before the existence of the military régime but they have acquired a new rhythm in recent decades.

It can be said in the case of Brazil that the transformation of democracy into a generally accepted value, i.e., into a cardinal element of the political culture, is a recent phenomenon produced by the circumstances of the period of struggle against the military régime (in the case of Uruguay, it must have related to much earlier periods). But, even in the case of Brazil, we can also say that this generalization of democracy as a value owes something to the circumstances of economic and social crisis which accompanied the process of democratic transition and which persist today. In circumstances in which the crisis multiplies the conflicts and spreads them throughout the society, democracy may appear to be an effective mechanism for building a satisfactory political order. It appears to be so, if not for the majority of the society, then at least for the majority of those who, during and since the dictatorship, have fought to participate in politics.

I mean that what appears to be a problem from one angle, i.e., the threat of generalized anomie, may also appear to be a favourable condition, depending on the capacity of the leaders and the institutions to tackle the problem. The same can be said of the effects of the crisis as can be said of the crisis itself. *Movimentismo* and corporativism may be regarded not only as factors of political deterioration but also as the means, at the outset politically chaotic and confused, by which the normal confrontation of interests in a modern and democratic society is achieved. It should also be remembered that the conversion of democracy into a generally accepted value also means that the society retains a sharp memory of a time when the military régime controlled the conflicts in an authoritarian and of course very unsatisfactory manner, at least for the majority of the participants (or of those who aspired to participation). Clearly, the signs of the existence of such a memory will tend to be much more visible in

<sup>11</sup>According to the records of the seminar on Changing Development Styles in the Future of Latin America, Graciarena wonders, for example, about the possible significance for society of generalization of the conflicts in the public services. Although he does not believe in a general trend towards social disintegration, he acknowledges that eventually "very strong phenomena of disintegration may appear". Solari also mentions the question of the strikes in the public services, which did not occur under Uruguay's military régime (or under such régimes in other countries) because they were repressed: "In contrast, the public services are now interrupted quite often and this produces the phenomena mentioned by Graciarena (...) for example, the strikes of health workers, of which there have been several, cause widespread irritation, even among post-office workers, who have also struck from time to time."

Uruguay and Argentina, more modern societies in which the military régimes caused much more damage than in Brazil.

In this same connection it is worth recalling the point made by Luciano Martins about the establishment in recent decades of what he calls a capitalist ethos in Brazilian society.<sup>12</sup> This phenomenon, which probably occurred much earlier in Argentina, Uruguay and Chile, has become widespread in Brazil, spreading even to those regions where many social relations of the pre-capitalist type still persist. Martins is thus describing a process of transformation, already observed from other angles by other researchers, which has led not only to the modernization through the "economic miracle" of the structural bases of the country's capitalist system, but also to the generalization of the values and standards of social and economic conduct required by a modern capitalist system. To express this same idea using Medina's concepts, even in places where models originating from the property system persist, the basis of what determines the whole of social life now originates in the business and urban system.

Do the celebrated advantages of backwardness really exist? Can Brazil be said to have benefited in some way from having arrived at modernization late in comparison with Argentina, Uruguay and Chile?<sup>13</sup> Although it is not possible to speak in general terms of advantages or disadvantages, there is at least one significant aspect which has to be attributed to the country's relative backwardness. Brazil's authoritarian régime cannot be accused of having destroyed the country's economy, a charge frequently levelled against Argentina's military régime. In Brazil, the military gave its reply, clearly a very authoritarian one, to the reformist claims presented by Brazilian society in the 1960s: repression of the popular movements which were seeking social reforms, and takeover of all the reformist claims which necessitated economic changes or other claims which might lead to modernization of the country's capitalist system. These include the reform

of the tax system and the public administration, the modernization of the postal service and communications services in general, the new financial mechanisms for attracting savings, the rationalization (and concentration) of the banking system, etc. Without forgetting the areas in which the military régime's reforms took the direction, not of an alternative to the earlier reformist movements but of counter-reforms, including the reform of university education (a response to the student's reformist movements), the creation of the Brazilian Literacy Movement (MOBRAL) (a response to the adult literacy movements, mostly of Leftist origins), and the adoption of the Rural Worker Statute (a response to the movements seeking agrarian reform).

However, some questions must still be asked. In view of the current difficulties of Brazil's democratization, certainly greater than those of Uruguay and Argentina, can it be said that the earlier "success" of the military régime is favourable or unfavourable for the prospects of democratic consolidation? But there is yet another question. With all their differences of performance, which correspond to the differences between the national societies in which they emerged, have not the military régimes, despite themselves and owing both to their "successes" and to their "failures", arrived at the common result of the final removal of the old agrarian (or pastoral) societies which all those countries were in the past? Both in the cases in which their modernization policies, all of neoliberal cut and following more or less the same models, were successful and in the cases in which they failed, it seems clear that after the departure of the military régimes we are also witnessing the burial of what still remained of the images of those societies as agrarian ones. This means that, at least in the countries of the Southern Cone (including Brazil in this instance), the dilemmas of political legitimacy and the corresponding problems of the construction of democracy are now primarily problems of modern urban societies. This of course is not enough to solve the inherent difficulties of the conquest and consolidation of democracy in those countries, but it at least offers the consolation that the first place among these difficulties is no longer occupied by the typical problems of agrarian societies of the traditional and oligarchic type.

<sup>12</sup>I refer to a statement made by Luciano Martins at the Centre for Contemporary Cultural Studies (CEDEC) of São Paulo in 1987, during a series of seminars on the Brazilian transition.

<sup>13</sup>I would like to recall in this context the comparative analyses of the countries of the Southern Cone made by Fernando Fajnzylber concerning economic development and social inequality, and by Carlos Filgueira concerning social mobility, presented at the II Forum on the Southern Cone organized by ILDES at Colonia, Uruguay, in July 1985.

## IV

## Legitimacy and political institutions

What are the differences between the dilemmas of political legitimacy as they present themselves in the present and as they presented themselves in the past? In this case it is important to deal with a problem which was only implicit in my exposition and was taken up, expanded and clarified by Adolfo Gurrieri.<sup>14</sup> It is possible to speak of political legitimacy for traditional societies, Gurrieri says, because they achieved some coherence in what Medina called their material, ideological and political "supports". They achieved some coherence between the system of property, the oligarchic ruling class, the party system (liberals against conservatives) and liberalism as a political formula. Gurrieri does not fail to note, now referring to the present period of crisis, that the material conditions have evolved towards a modern and industrial society, but he holds, together with Graciarena, that in this process the concentration of power in society has reached such a point that things have apparently become even more difficult. He says: "There is a basic and apparently increasing inconsistency between the material support and our democratic Utopias." Hence the question which he suggests: does not such a situation make the erosion, if not of democracies, at least of democratic governments, very probable? Instead of democracy serving to change society, is it not doomed to have to adapt itself to the existing society and power structure?

In attempting to answer such questions, I would say at the outset, within the framework of a brief historical comparison, that the dilemmas of political legitimacy, as we can observe them in the 1980s, suggest a quite different picture from what Medina could discern in the 1960s. It is not a less worrying picture; perhaps it is even more worrying, but in any event it is quite different. Firstly, while in the 1960s the system of property, although in crisis, still allowed the hypothesis of a restoration of the oligarchy, but it seems

clear that such a possibility is quite out of sight in the 1980s. Whatever our prospects for the future may be, it seems clear that the "old classes" have finally begun the decline leading to their disappearance as a power factor. For better or worse, the social system of those countries is now a business and urban one.

Secondly, the Weberian question about the ruling class clearly still obtains: the "old class" *no longer* rules and the new one *still does not* have the capacity to rule. But after the military régimes which, with their authoritarianism, denied civil society any opportunity of ruling, the old question of the ruling class would have to be asked from a totally different platform and is perhaps not as difficult as might be imagined. Some people, on the basis of the growth of corporatism and *movimentismo*, will conclude that in a period of prolonged crisis modernization, i.e., urbanization and industrialization, do not contribute to the formation of classes capable of political leadership. Taking a view which I described earlier as less ambitious and more realistic with respect to classes and to the ruling classes in particular, it seems to me that the social sectors at present occupied with *movimentismo* and corporatism are simply making their first attempt at social participation and will eventually assume their political responsibilities. Provided, that is, that politics offers suitable institutional conditions for such a development.

Thirdly, the greatest difficulty lies precisely in the institutional question. In the 1960s José Medina saw the root of the crisis of legitimacy in the collapse of the traditional bipartisan system: "the break-up of the traditional bipartisan union accompanying the decline of the system of property is the result of the profound transformation described earlier, it is the consequence of the emergence of new middle classes —urban and partly rural—, it stems from the collapse into ideological confusion which accompanies or mixes with these same phenomena".<sup>15</sup> In this

<sup>14</sup>I refer to the debates at the seminar on Changing Development Styles in the Future of Latin America.

<sup>15</sup>Medina Echavarría, *op. cit.*, p. 96.

case, the situation remains, *mutatis mutandis*, very similar in the fundamental terms of the problems. In the 1980s, this association between modernization—which Medina expresses in this case as the rise of new classes—the crisis of power (or of legitimacy) and the institutional question—which Medina represents by the question of parties—would have to be not only reaffirmed but vigorously asserted, for the phenomenon of “collapse into ideological confusion” are now much more violent than at any time in our past.

In my opinion, and here I take up a vital aspect of the problems raised by Gurrieri, the *coherence* between the material, ideological and political “supports” *does not come about but is brought about*. And this is a task primarily for the political institutions, especially the parties. As it happens, in the 1980s the “weak link” in the chain between modernization, power (legitimacy) and institutions (parties) is the political institutions themselves, specifically the parties. Despite the progress made in this area, notably in Argentina and Uruguay, which are the most modern countries of the Southern Cone, problems persist that are typical of a poorly resolved, or even unresolved, process of construction of parties. Uruguay still has a system of “traditional parties” which operate more like electoral legends than as bodies capable of integrating demands and determining governmental policies. The Frente Amplio (Broad Front) the “third player” in the game, is the new factor which may be expected to contribute to the modernization of the whole party system.

The case of Argentina, a subject of so much pessimism in military and economic affairs, is perhaps the one which offers greatest hopes with respect to parties. Especially since its last two electoral experiences: the first, which elected Alfonsín's Radicals and threw out the Peronists, the first reverse suffered by them in the open field of democratic struggle, for up till then they had been beaten only by armed force; the second, in which the Peronists, instead of distancing themselves as observers of the democratic game, reaffirmed their commitment to democracy and beat the Radicals in that same democratic field. While it is true, as Robert Dahl says, that democracy begins at the point when—after long years of conflict—the adversaries

realize that the effort to eliminate each other is more trouble than coexisting with each other, we can perhaps justify the hypothesis that the latest electoral contests in Argentina marked the beginning of a modern and stable party system. For such a turnaround to happen, it must be supposed that the two main adversaries will have to draw a little closer together at the very time when the contest is becoming more desperate. This means that both of them will have demonstrated their support for the democracy which guarantees them the opportunity to compete and that they will have isolated the enemies of democracy.<sup>16</sup>

Although it has the advantage of the vigour imparted by its recent economic growth and modernization, the Brazilian situation emerges as perhaps the worst when one examines the institutional question and, in particular, the party question. If we limit the discussion to the big parties, those which at present bear the major responsibility for running the State, the picture is a dismal one. Brazil has big political parties which, however, do not form governments and therefore do not assume State responsibilities. They are parties which exist only for electoral purposes and to cater to the interests of their clients. The big political parties now have something in common with the “traditional parties” of Uruguay but, unfortunately, without that country's democratic political culture. Government policies are not explained until after the elections. In many cases they are not explained until after the party comes to power; or even later, after the government, once elected, begins to form its ministries or departments. At this time, which is one of debate about policies and disputes about posts and sinecures, a separation instead of a consolidation begins to occur between the government and *its* party. From this point the government parties begin to put out signals that they are not responsible for the government, to which they are connected only through those politicians who, in their personal

<sup>16</sup>It would be interesting to see whether this generalization holds good for the small Argentinian parties. Although in somewhat different terms, I find indications that such a hypothesis could be formulated in an interview given by Guillermo O'Donnell to *Jornal do Brasil*, which appeared under the title “Bendito susto” on 24 January 1988.

capacity, have been appointed to ministries, departments or some office which they consider important.

The case of Brazil illustrates, in a negative sense, the importance of the parties for the consolidation of a régime of political legitimacy. We do not have strong parties; accordingly, we have a fragile democracy. But democracy is defended and has so far survived. How? Democracy in Brazil is not defended or practised in an organized manner through political parties, but in a diffuse manner through political movements,

which most of the time lack any clear identity. They are political movements which exist sometimes only in the cultural sense of the word, without even being aware of their own existence; they are mere emanations of the modernization process and of a sense of the worth of democracy which still resists disillusionment. This is a sign of the strength and the weakness of democracy in Brazil. It is a strong democracy because it is rooted in the material "supports", in the "strength of things", but very weak from the institutional standpoint.

## V

### Democracy and reform

A régime of political legitimacy is only possible under a democratic system. This is the great topic on the historical agenda of our countries at the present time. It is what emerges as fundamental from a comparison of the dilemmas of political legitimacy of the 1960s and the 1980s, and this is because democracy is the only system which organizes, i.e., institutionalizes, the consent of the people, without which legitimacy perishes. And this is the only model available to us in our effort to determine the dilemmas of political legitimacy in the present time.<sup>17</sup>

There are times when the great political battle is fought between dictatorship and democracy. Chile in the time of Allende and the Brazil of João Goulart, each with its own peculiar features, are clear cases of the struggle between a democracy of the Left (Allende) and a populist democracy (Goulart) and dictatorships of the

Right. There are several more recent examples of what the battles between dictatorships and democracies mean in the history of the Latin American countries which have had the experience of military dictatorships. There are also times in which the great battle is fought between a different forms of dictatorship: the Russian revolution is an obvious example, but by no means a unique one, of the struggle between a dictatorship of the Right and a dictatorship of the Left, a struggle which, as elsewhere, was resolved in favour of the Left. There are several examples of this kind, especially from the 1930s, which were nevertheless resolved in favour of dictatorships of the Right.

But there are also times —and I think that ours is one of them— in which the great battle is fought on the terrain of democracy. It can be said that this is basically a great historical battle over the meaning of democracy. In Argentina, an activist of the (Peronist) Justicialist Party will have a different view of democracy, perhaps very different from the view of an activist of the Radical Civic Union. In Brazil, an activist of the Workers' Party (PT) certainly has a view of democracy which is quite different from that of a militant of the Party of the Brazilian Democratic Movement (PMDB), and these two views of democracy will differ in many respects from the view of an activist of the Liberal Front Party (PLF) or even more from that of the Social

<sup>17</sup>Dictatorships, of whatever kind, mobilize. But régimes of political legitimacy, in the best of cases, usually demobilize. They may in fact mobilize but they do not *institutionalize*. To institutionalize means to establish a legitimate régime, i.e., the pre-eminence of the law —the rule of law. In a mobilization, the supreme value is not in the law, i.e., in institutions, but in the person of the leader or in the party which is doing the mobilizing. The paradigm of mobilization is general mobilization in time of war, the mobilization of an army, etc. In the institutionalization of democracy, the highest value is not in the person of the leader or of the ruling party, but in the institutional rules which allow persons to organize the space of their own freedom.



Democratic Party (PDS). But I maintain that in both countries these and other political forces will be obliged to advocate their view of democracy and to fight their fight over the meaning of democracy on the terrain of democracy.

These countries in transition will perhaps come to have a representative democracy of the traditional liberal type, or a modern liberal democracy, i.e., with some social content, or a modern mass democracy, with broad popular participation, or a modern socialist democracy, i.e., of the masses, representative and pluralist, but also with various mechanisms for direct participation. Yet other hypotheses are possible. For example, it is very possible that in some countries, such as Brazil, democracies of a definitely conservative cut will prevail in the end. In any event, what is certain is that the debate about the meaning of democracy is a paramount issue of our times. No political force which aspires to power, or better still to hegemony, and which can therefore put itself forward as a representative of social forces capable of exercising the functions of a ruling class in society, can simply ignore it. A régime of political legitimacy can only be democratic, and the definition of what is understood by democracy is a fundamental component of the policies of any class which seeks to exercise the functions of a ruling class at the present time.

In the conditions of Latin America, the debate about democracy is a debate about political legitimacy and therefore about the political and institutional forms essential to legitimacy.<sup>18</sup> But it is also a debate about the effectiveness of democracy; the fact of viewing democracy primarily from the angle of legitimacy "cannot stop us recognizing that democracy can die of ineffectiveness".<sup>19</sup> It is clearly not a question of subordinating the value of democracy to economic growth. Quite the contrary, for as Medina says, "when it comes to the pinch, legitimacy is more

important than effectiveness". I recall that in his analysis of the relations between democracy and wealth José Medina advocated democracy as a value in itself in the clearest possible manner: "... in the Latin American situation, it was particularly important to underline the aspects of legitimacy. And since there has been ample reference above to the 'materialist' correlation of democracy and wealth, it is right to stress now the 'idealist' version, which emphasizes above all else the value of beliefs, the weight of age-old 'intangible conventions' (value of the political system, value of the legitimately constituted authority, value of the rules of the game, value of the dialogue between equals, value of the human significance of reasonable compromise)".<sup>20</sup>

There are certainly people in the Latin America of today who want democracy "at the cheapest possible cost". As Enzo Faletto and Anibal Quijano would say, there are those who understand that reform might place democracy in danger and who would therefore prefer to limit it to a minimum. These are the people who, as Faletto says, would seem to understand the subject of democracy in the following terms: "Let us preserve democracy but let us not change things much in order to preserve democracy." In this case, we are heading towards the paradox of a democracy which, in order to survive, must avoid conflicts as far as possible. Or, as Quijano puts it: "If democracy becomes merely a forum for negotiations and conciliation, then everything is watered down, for nothing really undergoes any important change in any area of daily life." Clearly, it is possible that inquiries into the effectiveness of democracy are not superficial inquiries but inquiries into its content, i.e., into its true significance. If democracy does not exist as an arena of conflicts, what is the point of democracy?<sup>21</sup>

Once proper differences are established in the hierarchical values, it must be recognized that questions of social and economic life cannot be regarded as alien to the meaning of a modern democracy. We all know that one of the important engines of democratization is increased employment, correction of extreme social

<sup>18</sup>I omit from the text, and also from my statement, an important question which Palma emphasized in the debates: those who can see in political democracy only elections and parties are also incapable of seeing that the "mere" establishment of a political democracy requires the prior establishment of fairly complex social conditions which do not obtain in many countries of Latin America. This means that the conquest of political democracy may entail the need to make much larger changes than anticipated.

<sup>19</sup>Medina Echavarría, *op. cit.*

<sup>20</sup>*Ibid.*, p. 146.

<sup>21</sup>Again, I refer to the participation of these researchers in the debates at the seminar on Changing Development Styles in the Future of Latin America.

inequality, income redistribution, etc. The question of the building of institutions, i.e., the characteristic question of political democracy, leads on to the topic of social democracy and therefore to the topic of a policy of economic and social reforms.<sup>22</sup> Depending on the parties, interests and classes, there will be different notions as to what the reforms should be, how they should be carried out and whom they should benefit. After the decline of the "old classes" it is hard to imagine any "new class" —be it the bourgeoisie, the working class, the "middle classes" or any other conceivable class that might emerge—which can aspire to be a "ruling class" in society without offering society a prospect of reforms, which later will have to be converted into a policy of reforms.<sup>23</sup>

There is something more. From the 1930s to the 1950s, these topics emerged on a national scale, i.e., in each country, and adequate replies were found at that level. José Medina mentions, for example, that one of the historic tasks of Latin America was the task of national integration, understood as the integration of peoples into one nation, the question of structural dualism, the question of cultural heterogeneity, etc. It is possible that many of these questions remain on the historical agenda of most of the Latin American nations. I think, however, that it is now vital to reassert the

importance of another topic, also dealt with by Medina. I refer to the need for Latin American integration, if not the integration of all of the countries of the region —an unlikely prospect in present circumstances— then at least the integration of the countries which share a community of interests and which already offer the possibility of union. There have been some successes in the efforts to achieve Latin American integration which should encourage new efforts in that direction.

The truth is that, in the framework of an international order which is also in crisis and undergoing redefinition, most of the Latin American countries would encounter enormous and perhaps insuperable difficulties in achieving viability as modern and democratic societies. There are always exceptions, but for the majority the question of integration is an urgent one: either they integrate with each other in order jointly to assert their international independence or they integrate with some bit Power, but in a subordinate position. What does the concept of sovereignty mean for the majority of the Latin American States when, in the present situation, they have to argue the issue of foreign debt with the international financial system? And it should not be forgotten, for all its current importance, that this issue is merely one example. We all know that there are several others.

## VI

### The models and the intellectuals

The dilemmas of political legitimacy, because they refer to the path and direction which society will have to take, have given rise today, as in the 1930s and 1960s, to a debate on the big themes of

the political and economic development of the countries of Latin America. Thus, this new theme (is it really new?) of the institutional construction of democracy is joined on the his-

<sup>22</sup>This topic, a traditional one in political thought in modern times, was taken up again recently, in the framework of the Latin American debate, by Fernando Calderón and Mario dos Santos. See the documents presented by these authors to the symposium on Democracy, Totalitarianism and Socialism, held at the School of Advanced Studies in Social Sciences, Paris, January 1987.

<sup>23</sup>I mention in passing, as this would be a topic for another occasion, that while reforms, no matter what their origin or inspiration, are essential to the building of a solid democracy, democracy

is not always essential to reforms. Throughout its history, Brazil has been an example in which reforms are an issue between the Liberals and the Leftists, but they only become a question of policy when they pass into the hands of the Conservatives, usually by authoritarian means. Examples of this are the abolition of slavery under the Empire, the social legislation adopted under the Vargas dictatorship, and the recent reforms carried out by the military régime.

torical agenda by the themes of the transformation of society and the viability of the countries of the region as nations. This is the great debate which now engages, or ought to engage, the classes which seek to become leaders one day, and it is a debate in which the intellectuals participate, or ought to participate, be they "organic", "traditional" or of any other kind.

In these circumstances it is essential for us to return to the debates about projects and models which were very much in vogue in the 1930s and the 1960s but which have now fallen completely out of fashion. It is clearly not a question of repeating the dogmatism, whether romantic or vulgar, of the models of the 1960s, with their implicit (or sometimes explicit) authoritarianism, their illuminism and their elitism. Nor is it claimed that the resumption of the debate about projects and models means that we will merely repeat them or define them in the same way as before. However, it happens that we cannot continue without some kind of overall view of these societies, if we seek to make them workable, if we seek to reform (or transform) them and if we seek to make democracy workable through them. In other words, if we seek to rediscover the "coherence" of their "supports".

In a very interesting article Adam Przeworski talks of democracy as a "contingent outcome of conflicts". This phrase is translated into Brazilian Portuguese in a very free but suggestive way: *ama a incerteza e seras democratico*.<sup>24</sup> My conviction, in contrast to Przeworski's is that democracy in Latin America must be, in addition to a contingent outcome of conflicts, a political programme not, or at least not necessarily, a party programme, but certainly a programme of several parties which, despite their many differences on other issues, will have to propose the building of democracy as the first of their priorities. Moreover, it will have to be a programme not only of the parties, no matter how pluralist and numerous they may be, but also of intellectual, cultural, religious, trade-union and professional institutions. In short: it will have to be an organized culture. If in Latin

America we give free rein to the "spontaneous" interplay of forces, as if we were in the presence of an already established political market, we will probably get something much worse than a return to the military régimes. It is very possible that, in the economic, social and political circumstances prevailing in the countries of the region, we may get a deterioration of political values, and manifestations of social degeneration and economic stagnation which will fully restore the verisimilitude of Medina's theory about the risk of generalized anomy, with all the awful and at present largely unforeseeable consequences to which such a situation might lead.

There were many changes in Latin America between the 1960s and the 1980s, but there was no change in the urgency, "the awareness of this urgency", as Medina puts it. This awareness of urgency is today, as it was 20 years ago, "the essential characteristic of the contemporary Latin American scene". At the beginning of the 1960s, i.e., before the 1964 *coup d'état* in Brazil and the series of *coups d'état* in several other countries, Medina issued a similar warning. But at that time Medina conceded the possibility of the restoration of oligarchies, which did not happen, and of military interventions, which did, introducing an era of sad memory in our history. It seems to me that in the present situation, with the possibility of oligarchic restoration excluded, and the probability of new military interventions reduced by the extent of their own decline, it is perhaps not the phantom of regression which causes the greatest fears. If the prospect of democracy collapses, we may perhaps be condemned to something much worse than anything we have lived through in the recent past. In the 1960s Medina used to talk about Weimar and what came after it, but those images seem too distant from us to be regarded as possible. Perhaps we no longer have in view a totalitarianism in the style of Hitler or Stalin. Perhaps we should feel more reassured because we believe that historical regressions of that kind are no longer possible? One of the most important functions of the intellectual is to watch out for dangers and to warn of them, and if possible to propose means of avoiding them.

José Medina Echavarría is an exemplar of the important roles which intellectuals can play

<sup>24</sup>Adam Przeworski, "Ama a incerteza e seras democratico", in the review *Novos estudos*, Analysis and Planning Centre of Brazil (CEBRAP).

in circumstances such as the ones we are experiencing at present. These roles are to collect information, organize knowledge and, if possible, advocate great ideals which safeguard the meaning of politics and of the logic of history. I believe that I do justice to the memory of José Medina, and to my own convictions, when I say that the functions of intellectuals, in this world in crisis in which we live, also include the protection of Utopias, of liberal or socialist Utopias or any others that can be imagined (and let us not forget that liberalism, as Medina says, following Ortega y Gasset, is a "Utopia": "it is the decision to coexist with the enemy; i.e., the capacity for dialogue and compromise"). But there will have to be democratic Utopias and models which inspire the building of democracy and the transformation of a society which still has a long road to travel before it can stand confirmed as a democratic society.

These functions of the intellectual in politics are not to be confused with the party choices which individual intellectuals may make, for, in

the strict sense, party options are options of citizens. As citizens, intellectuals have, as indeed do other citizens, the right to join (or not to join) political parties. But if an intellectual joins a party, he had better be aware that this does not release him from his duties as an intellectual. And those duties concern the collection of information, the organization of knowledge and the construction of the grand prospects of a democratic and civilized society, duties which bind him, beyond considerations of his party, to the whole of society.

The discussion of the work of José Medina Echavarría who, although not a party man, was nevertheless a citizen of fine political sensibility, perhaps offers an opportunity to preserve the role of the intellectuals in politics, of intellectuals who, either within or outside the parties, place themselves in the service of the logic of history, and of the building of democracy.

(Translated from Portuguese into Spanish, and from Spanish into English)

# Social actors and development options

*Marshall Wolfe\**

The organizers of this seminar set me the topic of "social actors and development options". I accepted without much thought, attracted by the opportunity of remeeting old friends in an intellectual setting in which I spent a good many years. Now, however, I feel misgivings at tackling such a topic from the remote perspective of Vermont, dependent for information about Latin America on the sporadic coverage of the press and the occasional arrival of ECLAC documents, and speaking moreover before a group of people who are veteran actors by their own right in the drama of Latin America. I am practically condemned to warm up ideas that have already become commonplaces.

In order to start somehow, I should like to reflect on the implications of the image of "social actors" who are supposed to play "roles" in development. The words point to the same topic as "agents of development" but have somewhat different connotations. They suggest a drama in which the actors have roles defined for them, based on development dramas already performed elsewhere or on eschatological theories concerning the destiny of classes and society. No one has exposed better than Don José the ironies that can flow from such implicit or explicit suppositions. One can imagine a stage on which certain actors, convinced that they need a script to give sense to their performances, try to play roles in dramas that are incompatible with the scripts preferred by other actors on the same stage, or who strain to combine incompatible roles in their own performances. Meanwhile, the majority of the participants—from the dominant as well as the dominated classes—improvise and react to continually changing opportunities and shocks, paying little heed to their roles in the drama of development.

Don José, of course, insisted that it is important that the actors acquire more coherent and mutually compatible ideas on their roles and on

the outcome of the drama: the new society sought through development. However, he insisted equally on the dangers of carrying this effort too far through overconfidence in material rationality and the self-assumed right of any actor to impose his own infallible script on society. He assigned priority to pluralist democracy over efficiency in the formation of development policy, not only as a value in itself but also as a means of restraining the excesses of rationality in the definition of roles.

On rereading *Economic Development in Latin America: Sociological Considerations*<sup>1</sup> I noted the emphasis he placed on the "recognition" in Latin America at the beginning of the 1960s that the leadership of the societies and the roles influencing the evolution of these societies could no longer follow the traditional patterns, and that a new governing class had to emerge and propose scripts for development that would be coherent, feasible, and at the same time capable of stimulating popular enthusiasm and participation. In following years, inside and outside ECLAC, this "recognition" became a constant refrain, with the content of the new awareness changing, incorporating new problems and goals, and converting itself into something that I labelled in the middle of the 1970s as "utopias constructed by committees". In a sense, the recognition became a ritual when every other year governments "recognized" the deficiencies and injustices of the real economic and social evolution and declared their intention of overcoming them.<sup>2</sup> However, the political leadership capable of internalizing these recognitions was lacking or was defeated. Real development followed its dynamic and disordered course, accumulating problems for the future that few influential actors detected, and finally the

<sup>1</sup>ECLAC document E/CN.12/646 (mimeo), 2 April 1963.

<sup>2</sup>The author is referring to the biennial appraisals carried out during the 1960s to review the fulfilment by the governments of the region of the goals laid down in the International Development Strategy.

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"recognition" that imposed itself among the actors sharing power in the greater part of Latin America implied a systematic rejection of the democratic values underlying the recognition that Don José would have wanted.

If one can speak of another "recognition" in Latin America today, of what does it consist? From my remote perspective, at least, it seems that Latin America has arrived at a conjuncture in which all the scripts have proved wanting and in which the majority of the social actors have less confidence than before in any preconceived role. Ironically, this conjuncture has revitalized the relevance of the pluralist democracy that Don José proposed as a fundamental value. It would be harder today for any social actor to believe that his role entitles him to impose on society a scheme for development—or for revolution.

Knowledge of the real problems of the Soviet Union, China, Vietnam and Cuba, on the one hand, and of the United States, on the other, has diminished their plausibility as models or as sources of utopian scripts. Some actors may have become sobered by the fatal consequences of scripts that they themselves tried to act out in a recent past. Probably the disposition to seek coherent political alternatives through free, rational and public deliberation has become a little stronger; and this is precisely the disposition that Don José sustained in all his works. You know better than I do the precariousness and the contradictions latent within this disposition, and the implications of the fact that it had its origin in a general lowering of expectations rather than in confidence in a future of dynamic development. Many actors clinging to the scripts of authoritarianism, neoliberalism, populism and armed revolutionary struggle remain on the stage. In recent years, the theme of redemocratization or transition from authoritarianism has become fashionable in the academic institutions of Latin America, Europe and the United States. In the already voluminous literature hopes for a real and lasting democratic "recognition" mingle with a wide range of doubts and warnings.

At the same time, of course, the settings of insecurity and disillusion have left as threatening as ever the possibility (also forecast by Don José in *Sociological Considerations*) of generalized anomie, "the complete evaporation of

beliefs", cynical falsification of social roles, or strategies based on the exploitation of the advantages deriving from armed force or wealth on the confident assumption that, at worst, emigration and the export of capital to Miami can safeguard such actors from any national collapse.

One can also mention the idea prominent in some of the works produced by the research project of the Woodrow Wilson Center in Washington on "Transitions from Authoritarian Rule", to the effect that redemocratization is so precarious that only centre-right régimes, carefully abstaining from tackling the major problems of the styles of development—redistribution and autonomous popular participation—can safeguard this process. This judgment corresponds to one aspect of reality but supposes that the majority of the social actors must resign themselves to passive roles and respect appeals to shared sacrifice that are already discredited by their previous uses. On the last page of *Sociological Considerations* Medina condemns the "Machiavellism of public men" as the most profound form of corruption of the democratic faith: "The mass Machiavellism of the great modern leaders saps, equally and inevitably, the moral fibre of all individual citizens." If one supposes that the resurgence of pluralist democracy can be more than a passing phase of a cycle, the political actors must pose the need for a more realistic awareness than before of the constraints imposed by the conjuncture and must immunize themselves against populist promises of immediate social justice. However, one cannot be content with manipulations that convert the drama into a farce in which the majorities have to convince themselves that they can enjoy democratic freedom only as long as they do not use it.

In his consideration of the Machiavellisms of power, Don José referred, with his habitual discretion, to the public men not only of the countries of Latin America but also of "a foreign dominating country". Today, the indications in the United States of a revitalization of democracy equally mixed with indications of anomie, loss of faith in the future and inept Machiavellisms linked to the decline of the dominant political style are very relevant to the social actors of Latin America. This question falls outside my immediate topic, but I suspect that the

social actors of Latin America are going to have to relate themselves to a quite different combination of external stimuli and obstacles, altogether more compatible with democratic styles of development, but also lending itself to illusions concerning solutions arriving from abroad, as in the years of the Alliance for Progress. The evolution of sympathies and antipathies among different actors in Latin America and the United States, and also the consequences of the enormous growth of minorities of Latin American origin, very diverse in their reasons for being in the United States and in their ties with U.S. actors, deserve a good deal of attention. Even in Vermont, although that state has hardly been touched by these currents of migration, I have been surprised to find significant groups of local people with limited information but impassioned and active opponents of Washington's policy in Central America.

Now we come to the question: how does the new and ambiguous "recognition" manifest itself in the descendants of the social actors studied by Don José and ourselves since the 1960s? How can a rationality aware of its own limitations in the quest for more democratic styles of development be fostered among these actors from within ECLAC? Don José's comments on these actors remain impressively pertinent in spite of the transformation of Latin America in respect of the size of its population, the distribution by rural and urban residence, by social classes and by occupation, the level of education and access to modern communication media, the patterns of consumption, and other factors. One is tempted to repeat the saying that everything has changed so that nothing should change.

In *Sociological Considerations* Don José affirmed that "we are in the dawn of the formation of new governing classes" and of another political class "that will be at the same time energetic and modern". He also affirmed that "only that class which possesses a fund of clear ideas on economic development policy will sustain itself in the future as a governing class". Typically, he observed a few pages later, "let hope triumph over any skepticism".

Obviously, a quarter-century later these new governing classes are not easily identifiable, and an adaptation of another saying comes to mind: "Anyone who has clear ideas on economic devel-

opment today does not understand the situation." The reasons for skepticism seem to have triumphed over hope. However, Don José did not have in mind a class in the strict sense, such as the bourgeoisie. He also affirmed that "Europe has always had a rich multiplicity in its governing classes, which in truth has not made social life easy at every moment. ... Latin America, as in so many other matters, has repeatedly placed itself altogether within this European tradition."

From this point of view of the multiplicity of governing classes one can identify changes that justify cautious hopes. One can identify various groups holding different sources of power or influence in society and the State that are more inclined than previously to form governing coalitions, interacting with critics, to seek solutions that are acceptable if not optimal within pluralist democracy.

In these efforts the leadership of individuals as rallying points of the coalitions and symbols of capacity to make coherent political decisions remains indispensable, and this carries with it well-known consequences. The leader as actor needs great confidence in his own ability to manage problems and maintain sufficient sources of support in his society, without falling into illusions concerning his own infallibility. And the role of the leader as a symbol that someone identifiable is deciding how to tackle the problems, in situations in which the problems have no clear or immediate solutions, can generate first an exaggerated faith in the leader as performer of miracles and later equally exaggerated disillusionment.

The most important generalization on the components of a governing coalition and its critics—equally important for the democratic generation of policies—may be that each component today has ample reason to distrust the others but also to know that it cannot get rid of them and impose its own rationality.

The application of this generalization to the components of a governing/criticizing coalition—the leaders of political parties, the entrepreneurs, the State and private technobureaucracies, the armed forces, the leaders of unions and interest-group organizations, the intellectuals and academics—could lead us into a

litany of criticisms that can today be found in an extensive bibliography of studies and polemics.<sup>3</sup>

The mention of this bibliography leads us to one of the big differences between the period of *Sociological Considerations* and today. Don José had at hand only fragmentary and hardly reliable quantitative information on the social actors in the development of Latin America. He was profoundly familiar with the theories originating in the European past or in the preoccupations of United States sociologists and political scientists to identify social actors capable of putting Latin America on the road to development processes similar to the trajectory of the United States, or to explain the cultural or psycho-social reasons for the lack of such actors. He also encountered a local ideological production that, in his own words (referring to Bolivia), "only very rarely permitted him to assemble a repertory of clear ideas, a crystalline precipitate of a few simple and effective proposals. One might suspect that something similar would happen if one investigated the intellectual struggles of other countries or of Latin America as a whole". At the beginning of the 1960s social research institutions hardly existed in Latin America.

Today, in spite of all the vicissitudes of political sectarianism, repression and exile of investigators, and precariousness of resources, quantitative information is very extensive and relatively reliable, social research institutions are found everywhere, and interchanges between social scientists of Latin America, Europe and the United States are intense and fertile. If we are still far from the "simple and effective proposals" that Don José longed for, at least there is a more adequate understanding of the complexity of the problems and of the defects of certain simple proposals of the recent past. If the social actors of Latin America are still confused concerning their roles, it is not for lack of accessible information. Moreover, up to a certain point it would seem that the information and the theoretical explanations have been absorbed by broad sectors of public opinion.

<sup>3</sup>The latest effort to bring order to the topic can be found in Alain Touraine, *Actores sociales y sistemas políticos en América Latina*, Santiago, Chile: Regional Employment Programme for Latin America and the Caribbean (PREALC), 1987.

For our purposes it is also significant that some social theorists and investigators (and not only the economists) have emerged as actors in their own right, as participants in the governing coalitions of the new democratic régimes and, of course, also as influential critics. There is nothing new in the participation of intellectuals as political actors in Latin America, but one might expect that the contribution of the social scientists would have different aspects. Their entry on the stage may be of secondary importance within the drama, but for a seminar in ECLAC, focussed on the possibility of influencing the styles of development of Latin America, it holds particular interest.

Almost from its inception, in opening itself gradually to considerations other than the strictly economic, ECLAC has contributed to this entry of the social scientists, through the generation of ideas, through the organization of the information needed to demonstrate or refute certain theses, and through interchanges between its functionaries and other research institutions. Naturally it has been exposed to attacks, some justified and others not, as a consequence of the interaction between its theses and socioeconomic realities. Finally, as we all know, it has been exposed to another kind of criticism: that it has not known how to renovate its ideas, that it has been outstripped by the flowering of the new centres of research and thinking, that it has fallen into a ritualist celebration of its past intellectual achievements. An ex-Cepalino has very recently published a book that develops criticisms of this kind and also makes positive suggestions that are not all feasible in the real situation of ECLAC, dependent as it is on a United Nations in crisis, but that deserve, I believe, serious study and reply.<sup>4</sup>

In June 1977, Don José produced an outline for a work that his illness immediately afterwards prevented him from carrying out. It was entitled "Intelligence in perspective (scientific thought and ideology in the immediate future)". No one other than Don José could have developed this theme in the form that he proposed, but it would be valuable if someone in ECLAC

<sup>4</sup>Joseph Hodara, *Prebisch y la CEPAL: Sustancia, trayectoria y contexto*. Mexico City, El Colegio de México, 1987.



could return to the theme in the situation of today, when there is almost excessive informational and theoretical food for intelligence, but also a perhaps excessive awareness of the obstacles in the way of the "clear ideas" and the "simple and effective proposals" that Don José sought in the intellectual production of his time. One of the subheadings within his outline is particularly suggestive: "The existing forms of intelligence: functional, critical and evasive." Let us hope that we shall become able to combine better the functional and the critical intelligence, and learn how to distinguish them from the evasive intelligence, always tempting in academic and bureaucratic settings.<sup>5</sup>

I am going to pass rapidly over three of the principal social actors that Don José discussed in *Sociological Considerations*: the emerging middle classes, the industrial proletariat, and youth. Obviously, the first two classes, as well as youth, have increased enormously in numbers, have diversified, and have transformed themselves culturally since the 1960s. Don José's doubts concerning their capacity to act as protagonists of a style of development remain valid. Probably few people today would think seriously of their roles in these over-simplified terms. Nevertheless, if one is seeking coalitions or social pacts to promote more democratic styles of development, the three are essential components. Certainly, the main pressures towards redemocratization have come from them. In spite of all the research, major incognita persist concerning the "recognitions" that they have internalized from the shocks of recent years, concerning the corporatist, utopian, or embittered content of their reactions, and concerning their fears as to the consequences of any downward redistribution of power and incomes.

The last question is important because the "situations of masses" concerning which Don José emphasized the "hazardousness of any attempt at forecasting" remain on the stage. Today these situations apply to the sons and

grandsons of the "populations expelled from the traditional social settings of Latin America" that he identified. If their state of "rootlessness" remains as evident as before it must have other forms and sources. As we can all remember, these masses have been discussed and studied in terms of "marginality", of "extreme poverty", of "informal sectors", etc. All of these labels have been associated with initiatives to change their situation, generally so as to incorporate them into a social and economic system that is assumed to be capable of receiving them. The last label, of "informal sector", recognizes that somehow they have incorporated themselves, sufficiently at least to survive and contribute to the functioning of the economies. They have been exposed to communitarian, populist and revolutionary campaigns designed to mobilize them, and to authoritarian campaigns designed to demobilize them and expel them from their incipient control over political resources. Their intense spatial mobility has diminished the cultural and other distances between the rural and urban masses, and today important contingents have experience of migration outside Latin America. In the most recent years, moreover, the economic shocks have probably reduced parts of the industrial working class and even of the strata previously enjoying "middle" status to equally precarious living conditions and survival strategies. New forms of local social organization have also emerged—the "base communities", etc.— in which intellectual or religious allies hope to find a path towards the liberation of the masses from a style of development that offers them such poor and alienating roles. Don José probably would have observed these initiatives with the mixture of sympathy and skepticism with which he received "community development" in the 1960s.

"The hazardousness of any attempt at forecasting" has not been overcome, but ECLAC continues to have the duty of keeping up its study of these situations of masses so as to be able to make forecasts that can serve as guides to State policy—and also as guides to the mass organizations and their intellectual allies. At this point, however, I feel that I am once again treating the problem with ritualist formulas, many times repeated in our earlier meetings, and developing an evasive intelligence. It is time to halt.

<sup>5</sup>Enzo Faletto has called my attention to an essay of Don José, "Acerca de los tipos de inteligencia" (Concerning the types of intelligence), published in 1953 in *Presentaciones y planteos: Papeles de la sociología* (Instituto de Investigaciones Sociales, Universidad Autónoma de México). This essay distinguishes "functional intelligence, detached or leisure intelligence, and marginal intelligence".



## Recent ECLAC publications

**Statistical Yearbook for Latin America and the Caribbean** (LC/G.1503-P) (bilingual, English and Spanish), Santiago, Chile, 1987, 714 pp.

This yearbook is made up of two parts. Part One, "Indicators of economic and social development in Latin America", contains updated statistical series on social development and welfare, economic growth, domestic prices, capital formation and financing, external trade and external financing. Part Two, "Statistical series for Latin America", includes statistical series on population, national accounts, domestic prices, balance of payments, external indebtedness, external trade, natural resources and production of goods, infrastructure services, employment and social conditions.

**El proceso de desarrollo de la pequeña y mediana empresa y su papel en el sistema industrial: el caso de Italia** (LC/G.1476-P), Cuadernos de la CEPAL series, No. 57, Santiago, Chile, 1988, 112 pp.

The development and modernization of small and medium-sized enterprise, as well as its functional links to the more dynamic elements of the industrial apparatus, figure prominently among the Commission's concerns in connection with the industrialization, technological development and economic and social articulation of the Latin American countries.

The potential role of the development of small and medium-sized industry in job creation and in the mobilization of resources has long been recognized. There is also, however, a growing acknowledgement of its strategic importance in achieving increased production linkages and in overcoming the region's structural heterogeneity, along with the positive impact this would have on the social articulation of the region and its progress towards structurally more equitable societies.

The past experiences of today's developed countries suggest that small and medium-sized industry has a great deal of potential as regards the development of entrepreneurship and technological dynamism and the introduction of greater flexibility into the production apparatus. At the same time, as the current technological revolution changes the whole concept of scales of production, a series of activities are opening up new prospects for small or medium-sized modern enterprise.

The experiences of Italy in this respect are particularly thought-provoking. The considerable industrial progress made by this country during the postwar period has, from

the 1970s onwards, been coupled with a significant degree of growth and the ongoing modernization of small and medium-sized enterprise. The structural characteristics, favourable conditions and deliberate policies which have made this development possible provide food for thought for those who regard small and medium-sized industrial enterprise as a key factor in the interconnected processes of industrialization and development, one of whose goals is to achieve greater equity. In view of these circumstances, this study on the development of small and medium-sized industry in Italy is clearly of interest for Latin America.

**The evolution of the Latin American economy in 1986** (LC/G.1501-P, LC/L.425), Cuadernos de la CEPAL series, No. 58, Santiago, Chile, 1988, 95 pp.

The six chapters in this study, which was prepared by the Economic Development Division of ECLAC and was originally published as part of the *Economic Survey of Latin America and the Caribbean, 1986*, present an analysis of the way in which the Latin American economy evolved during the year 1986.

The first chapter contains a discussion of the main trends observed in the economy, including the recovery of economic activity, the downturn in inflation and the rise of remunerations, and the weakening of the external sector.

The second chapter, which concerns production, provides information on the rate and pattern of economic growth and reviews the situation with respect to total supply and demand and the domestic availability of goods and services.

Chapter III is devoted in its entirety to the subject of employment and unemployment, while chapter IV deals with prices and wages.

In the fifth chapter, which concerns the external sector, the region's foreign trade and balance of payments are examined.

The sixth and final chapter, on the external debt, presents a discussion of the trends in this respect and of the debt renegotiations.

**Reestructuración de la industria automotriz mundial y perspectivas para América Latina** (LC/G.1484-P), Estudios e Informes de la CEPAL series, No. 67, Santiago, Chile, 1987, 232 pp.

This publication, which is a compilation of the papers presented at the regional meeting of the Working Group on the restructuring of the world automobile industry and prospects for Latin America (Bogotá, 25-27 September 1985), was prepared as part of the Joint ECLAC/UNIDO Regional Programme on Industrial Reorganization.

These studies, which were prepared by experts from Latin America and other regions, are organized according to the following format:

Chapter I deals with the relationships among economic development, industrialization and the role of the automobile sector. Chapter II presents a discussion of the specific conditions and challenges faced by the Latin Ameri-

can automobile industry. Chapter III is devoted to a description of the process of restructuring the automobile sector at the international level. Chapter IV contains reference articles comparing the experiences of Latin America with those of other regions, in the course of which the two specific cases of Australia and Korea are examined. Chapter V sets forth an analysis of the international reorganization of the automobile sector and the possible implications of this restructuring for the Latin American automobile industry. Chapter VI includes descriptions and studies of policies concerning the automobile industry in five Latin American countries. Finally Chapter VII contains a discussion of the problems involved in and possible guidelines for the design of policies on the automobile industry in keeping with the economic outlook at the regional and international levels.

In view of the extensiveness and varied nature of these discussions, no formal conclusions concerning these topics are included; in their stead, the document prepared by the Joint ECLAC/UNIDO Industry and Technology Division, which is included in Chapter VII, sets forth some of the conclusions reached by the Working Group in respect of the points for discussion on its agenda that were dealt with in that document.

**Cooperación latinoamericana en servicios: antecedentes y perspectivas (LC/G.1489-P)**, Estudios e Informes de la CEPAL series, No. 68, Santiago, Chile, 1987, 155 pp.

This study starts out with the observation that Latin America and the Caribbean have suffered from an almost total lack of policies aimed at delineating the role of services in national development. This shortcoming is even more evident as regards a suitable incorporation of services into the regional and subregional co-operation and integration initiatives mounted during the past 25 years. This failing may, however, serve as the starting point for an in-depth consideration of the possibilities opened up by these options. The objectives of such an effort would be, firstly, to dynamize and modernize the contribution to be made by services to development and, secondly, to ensure a greater degree of economic, political and cultural autonomy in the countries of the region with a view to promoting a more equitable form of insertion in the increasingly interdependent world economy.

The study is divided into three parts. In the first, the main conceptual aspects of the new services economy are examined, together with the specific forms taken by the internationalization of these activities. The implications in these respects of the development of new information technologies are underscored, as are the combined effects of these factors as regards the formation of a new international division of labour. This part of the study also presents a discussion of the current status of the efforts being made to create a multilateral framework for international trade in services in line with the agreements reached at the Uruguay Round.

The second part of this document includes an exploration of a number of conceptual considerations which could contribute to the formulation of a new perspective on the

function of regional and subregional co-operation in the area of services. Based on a comparison of regional experiences with those of the European Economic Community as they relate to this subject, an attempt is made to systematically identify the main elements which could be used to forge new forms of co-operation in the sector. A series of guidelines and criteria for the establishment of priorities are also included.

In the third part of this study, some of the specific proposals currently under consideration within the region are examined. A considerable portion of this section is devoted to a description of various tripartite co-operation initiatives which are based on an assessment of the situation with respect to services in Mexico and of possibilities for co-operation with Argentina and Brazil.

**Development and change: Strategies for vanquishing poverty (LC/G.1472-P)**, Estudios e Informes de la CEPAL series, No. 69, Santiago, Chile, 1988, 114 pp.

The Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) jointly convened the Meeting on Possible Measures to Deal with the Immediate and Long-Term Impact on Social Development of the External Crisis and the Adjustment Process, which was held in the city of Lima from 25 to 28 November 1986. This meeting was sponsored by the Government of Peru and was attended by government officials responsible for the social policies of the countries of the region.

At this meeting, the participants examined strategies and proposals for action aimed at overcoming poverty and at combining social development with economic development, the object being to convert the elimination of poverty into an element of economic growth and to ensure that the benefits of such growth would be equitably distributed.

In preparation for this meeting, ECLAC, in collaboration with the above-mentioned organizations and in very close co-operation with the Regional Employment Programme for Latin America and the Caribbean (PREALC), prepared a document entitled *Development, change and equity: vanquishing poverty*, which forms part of this publication. In drafting this document, an effort was made to integrate the dimensions of economic policy and social policy which, if closely interrelated, can help to reduce the poverty that affects a large percentage of the regional population. In view of the fact that the nature of this situation is well known, the document does not include a diagnostic study. Instead, it focuses on the design of a strategy that is disaggregated into multiple levels, from the general to the specific, and whose policies could contribute to a progressive integration of the poor sectors of the population into full participation in production and consumption; at a fundamental level, it also deals with the institutions and services working to prevent the perpetuation of poverty.

The strategy seeks to address the complex phenomenon of poverty on the basis of two observed facts: firstly, that so far economic growth, by itself, has not been enough

to ensure full participation; and, secondly, that the unresponsiveness of the phenomenon to instruments of macro-economic policy points to the need for an integrated set of measures for attacking the root causes of poverty at both the economic and social levels.

The strategy therefore incorporates the concept of structural adjustment combined with greater equity and the design of investment and growth policies which, together with income distribution policies, would make it possible to expand productive employment, without which it would be difficult to reduce the size of the population now living in poverty.

The measures proposed in respect of economic institutions are closely linked with measures relating to people and to social institutions. The strategy is based on the idea that the conditions necessary for the full integration of people into useful activities must be created and that basic social security coverage must be provided for these persons so that they may fully develop their biological and intellectual potentials. Economic growth is not possible without skilled people, and democratic societies cannot be constructed if human beings lack the resources that would permit them to become full members of society. This goal of social citizenship for the entire population is closely related to existing knowledge about how poverty is perpetuated through a cycle which begins with inadequate care during pregnancy and continues with deficiencies in the areas of food, health, education and training during the formative years leading up to the individual's incorporation into economic and social activity. The strategy therefore contains specific proposals concerning how to organize actions and services, with the participation of the State, communities, non-governmental organizations and enterprises, with a view to modifying and overcoming the ways in which poverty is currently perpetuated from one generation to another. This phenomenon is a result of deprivation in terms of access to income, employment and material goods; but it is also a result of deprivation in terms of access to the cultural heritage of a society.

The document also attaches priority to youth training programmes as a means of exerting a positive influence on the future of the societies of Latin America and the Caribbean. It also includes an examination of policies relating to the supply of production goods and technical assistance for community and local projects whose aim is to permit the participation of poor sectors and the utilization of human resources presently not taking part in the development process due to their lack of a minimum of material assets and skills.

In analysing productive employment policies, particular consideration is given to the need to increase the employment effect of growth, and stress is placed on the role of the public sector in emergency employment programmes. In addition, proposals are set forth concerning policies for the dynamic transfer of assets and wage policies designed to reconcile the goals of growth and redistribution.

This publication concludes with the report of the Lima meeting which was mentioned earlier. This report contains significant proposals which were formulated by national

authorities and technical personnel in the light of their experience in the design and implementation of policies aimed at vanquishing poverty.

**América Latina: Comercio exterior según la Clasificación Industrial Internacional Uniforme de todas las Actividades Económicas (CIU) (LC/G.1451-P), Cuadernos Estadísticos de la CEPAL series, No. 13, vols. I and II, Santiago, Chile, 1987, 675 pp.**

This statistical paper refers to the International Standard Industrial Classification of All Economic Activities (ISIC). It includes information on the foreign trade in goods conducted by the 11 member countries of the Latin American Integration Association (ALADI), the five member countries of the Central American Common Market (CACM), each subregional grouping as a whole and these 16 countries as a group.

This issue of the *Cuadernos Estadísticos* series is divided into two volumes: the first contains information on merchandise exports according to ISIC (Rev.2) "major divisions" and "divisions" and trade areas for the period 1970-1984; the second presents the corresponding information on imports, which is tabulated in the same way and covers the same period of time.

Both volumes contain analyses of the purpose and nature of ISIC and how it differs from other international classifications; a special effort is made to illustrate the implications of this information and to identify the difficulties encountered in establishing how the entries of the National Statistical Classification (NSC) in respect of the countries' foreign trade correspond to the procedures and definitions of ISIC, Rev.2. There is also a discussion of the changes observed in the pattern and direction of flow of the countries' foreign trade in terms of ISIC, Rev.2 and selected trade areas, including the subregional integration groups and the Organization for Economic Co-operation and Development (OECD), with special entries for the European Economic Community (EEC), the United States and Japan. Finally, in order to provide an overview of the frame of reference of ISIC, Rev.2, a listing of the major divisions, divisions and major groups in this classification is furnished; the first two of these categories serve to guide the reader in interpreting the statistical tables appearing further on in the publication. In this connection, it should be noted that the categories used in ISIC are: major divisions, divisions, major groups and groups.

The final section of this publication is composed of the statistical series for exports and imports, respectively, according to ISIC, Rev.2 major divisions and divisions and trade areas, in thousands of dollars for the period 1970-1984. The tabulations, whose formats for exports and imports are similar, were prepared primarily with a view to the information needed for the macroeconomic analyses conducted by ECLAC, particularly those dealing with the most notable changes observed in trade patterns as regards the sectoral origin of the merchandise and the geographical direction of foreign trade flows.





# A list of ECLAC publications

## PERIODIC PUBLICATIONS

### CEPAL Review

CEPAL Review first appeared in 1976 as part of the Publications Programme of the Economic Commission for Latin America and the Caribbean, its aim being to make a contribution to the study of the economic and social development problems of the region. The views expressed in signed articles, including those by Secretariat staff members, are those of the authors and therefore do not necessarily reflect the point of view of the Organization.

CEPAL Review is published in Spanish and English versions three times a year.

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