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Explanation of symbols

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 heading is not applicable.

A full stop (.) is used to indicate decimals.

Thousands and millions are separated by a space (3 123 425).

Use of a hyphen (-) between dates representing years, e.g., 1948-1953, normally signifies an annual average for the calendar years involved, including the beginning and the end years; growth rates refer to the cumulative annual rates for the whole period, including the beginning and the end years.

A slash (/) indicates a crop year or fiscal year, e.g., 1955/1956.

References to "tons" indicate metric tons, and to "dollars" United State dollars, unless otherwise stated.

Figures and percentages in tables do not necessarily add up to the totals, because of rounding.

The abbreviation *cif* (cost, insurance, and freight) signifies the cost of merchandise at the port of destination, including the costs of transport and insurance.

The abbreviation *FOB* (free on board) signifies the cost of merchandise at the port of embarkation, excluding the costs of transport and insurance.

The abbreviation CEPAL indicates the Economic Commission for Latin America.

THE CEPAL REVIEW*

Radical changes have been occurring in recent years both in the world and regional economic settings and within the Latin American countries themselves. It is no longer possible to ignore the fact that far-reaching transformations have been taking place for some years in international economic relations, which are changing at a pace and with an intensity unknown in the post-war period. These changes, which have enormously increased the uncertainty of the future, demand a renewed effort of observation, analysis and interpretation which, first of all, will help towards a better understanding of the complex problems of the new international economic order and, secondly, will lead to policies and positions more in keeping with Latin America's interests within the context of the new international economic scene.

Equally dramatic situations have been arising in the regional setting. The last few years, largely because of the renewed difficulties of the international situation, are opening the way for new and vigorous ventures in the field of regional co-operation. There are new horizons for co-operation measures among governments, and these more than ever need novel complementarity approaches and mechanisms deriving from original and imaginative studies and analyses carried out in order to serve as a basis for their policy decisions.

No less important are the reviews of the styles of growth and development observable in the countries of the region, each with its own particular features. The difficulties of the recent international crisis have also brought to light the weak points of the vigorous process of economic development of Latin America in the past decade. I think that a great deal has been accomplished, but there are also many problems still to be solved, particularly in the social sphere. The solution of some of the continuing problems is hindered by a lack of analytical bases and of the necessary knowledge of the facts to promote action. This provides an incentive —and a stimulating one— to promote reflection and discussion as a basis for national decisions.

From every point of view, therefore, we are living in times of rich political and intellectual effervescence. The challenges they pose, and the possibilities which at the same time they offer, demand an effort of systematic, free and imaginative analysis. Some fruits of this effort have been the abundant publications of informative and analytical material in various forms. Among them, we cannot but mention here the *Economic Bulletin for Latin America*, which, after 20 years of existence, has made way for this Review, whose task it is to follow in its tradition

*The secretariat of the Economic Commission for Latin America prepares the *CEPAL Review*, but the views expressed in the signed articles, including the contributions of secretariat staff members, are the personal opinions of the authors and do not necessarily reflect the views of the Organization.

and enrich it with more ambitious aims. To help to fulfil this enlightening function of decisive importance to Latin America is the principal objective underlying the appearance of the CEPAL Review.

The aim of contributing in this way to the external debate is no less significant to us than that of stimulating internal discussion. Through this intellectual forum for the work of both the top executives and the staff members of CEPAL, CELADE and ILPES, the aim is to promote an internal dialogue and fertile controversy among our teams of experts, within the context of their responsibilities as international civil servants.

To direct the Review, the secretariat could not have a more valuable intellectual contribution than that of Mr. Raúl Prebisch.

ENRIQUE V. IGLESIAS

Executive Secretary

A critique of peripheral capitalism¹

*Raúl Prebisch**

The purpose of this article is to set forth the features, relations and fundamental problems which characterize peripheral development. The analysis principally seeks to throw light on the mechanisms underlying the distribution of the fruits of technological progress among the different social strata. To this end, a detailed account is given of the process of creation of the surplus and of its primary appropriation by the upper strata (through the power deriving from their ownership of the means of production) and its secondary appropriation by the middle strata (which are favoured by democratization).

A number of consequences of this process are carefully analysed. In the first place, consideration is given to its effects on the rate of capital accumulation, on the technologies used and on the orientation of consumption, investment and education; these factors in turn exert a decisive influence with respect to the sufficiency of dynamism in the economy, as ultimately expressed in its capacity to absorb labour productively and in progressively more equitable income distribution. Secondly, some consequences of the exacerbation of the distribution struggle are studied, such as soaring inflation and regressive changes in political régimes. Lastly, the author examines the relations between the centre and the periphery and asserts that these have a decisive influence on national processes.

*Director of the Review.

Overall view

1. *Frustrations of development*

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.

The facts forbid us to go on fostering such illusions. Development tends to by-pass a large part of the population. It is primarily restricted to the upper income strata, where the consumption patterns of the industrialized centres are increasingly imitated. The consumer society has thus established itself in the peripheral countries, and the middle income strata, seduced by its allurements, are striving to participate in it, and are succeeding. All this is in sharp and

¹This article is a shortened version of a larger-scale work on peripheral capitalism. Several motives have induced me to present it here. Firstly, the wish of expressing appreciation to Enrique Iglesias for his gesture in inviting me to direct this Review: a responsibility which I accept with an enthusiasm and a conviction undimmed by the years. Secondly, an intellectual necessity: I have written extensively on the subject and this summarized version has obliged me to make a rigorous and purgative review of my material. And finally, I hope that these pages will provoke healthy controversy which will doubtless be of great value in the prosecution of the task I have undertaken.

glaring contrast with the sub-consumer society in which the lower strata of the social structure struggle to subsist.

The consumer society has an immense social and political cost: the social cost of injustice and the political cost of shattering that high hope once cherished. The progressive development of the consumer society would in fact appear to become, in the long run, incompatible with the advance of democracy, since it tends to create an increasing disparity between the economic and political processes which it attempts to correct by setting back the latter rather than changing the former.

The consumer society could not work its way up to the proportions it has attained in peripheral capitalism without a very uneven distribution of the fruits of the technology that penetrate to the periphery from the centres. The implantation of the consumer society is commonly attributed to foreign enterprise, and, in particular, to the

transnational corporations. True, they do help to exalt it; they sow in the periphery with clear intent, and reap abundant harvests. Nevertheless, the consumer society could not have developed without the upper income strata's capacity for primary appropriation of the fruits of higher productivity².

It would be intellectually irresponsible to make assertions of this kind without producing sound supporting evidence. This I shall attempt to do in the course of the present study. In the meanwhile, I will venture to offer some foretaste of the conclusions I have reached after long reflection on peripheral capitalism in the Latin American sphere. These ideas spring from sustained observation of events in the course of my long journeyings through Latin America, with a view to interpreting their meaning and thus helping to work out a theory of change in the existing order of things.

2. *Centre-periphery power relations and their contradictions*

If I restrict myself to the Latin American sphere when referring to the periphery, it is because this is the sphere in which I move most easily. As for the centres, I intend to refer to them as much as is necessary in order to undertake a critique of capitalism in this region of the American continent which is part of a global process embracing both the industrial centres and the vast periphery of the world economy.

This concept of spatial globality is not, of course, the same as that which mistakenly arose some time ago, and

which has still not wholly died out, despite subsequent experience. We now know that the power of expansion of the centres is not sufficiently strong to bring with it the development of the periphery

²Their ownership of the means of production enables the upper strata to be the first to lay hands on a large part of the fruits of technological improvement and higher productivity. A smaller share then passes to the middle strata. The former process is referred to here as "primary appropriation"; the latter is "secondary appropriation".

through the spontaneous play of economic forces. This has not been so. Development, as an integral phenomenon extending with industrialization far beyond primary production, has been possible only when the periphery, during successive crises in the centres, has been able to prevail over the play of world market forces, which reflects the power relations between the centres and the periphery. And although those relations have become more complex, they continue to develop, as in the past, under the hegemony of the centres, in particular the principal dynamic centre.

The power relations in question, however, are very precarious and unstable because of the underlying contradictions.

In the first place, there is a contradiction between the participation of the centres in the industrialization of the periphery and their reluctance to adapt their structure of production to the inescapable demands of such a process. In this and other aspects of centre-periphery relations, a narrow outlook prevails in which the immediate interests of the centres tend to obstruct a longer-term view. Secondly, certain ingrained manifestations of the hegemony referred to are in contradiction with the growing sense of national identity and increasing freedom of decision-making which accompany the development of the periphery.

3. *Imitative capitalism and its contradictions*

In its struggle to develop, the periphery tends to follow in the tracks of what is done and thought in the centres. Thus, in contrast to the innovative capitalism of the centres, peripheral capitalism is essentially imitative. We adopt the same technology, we imitate the centres' consumption patterns and life styles. We copy their institutions; and their cultural manifestations, ideas and ideologies are constantly gaining ground in our countries.

Access to what has cost the centres centuries of effort is certainly of immeasurable value. At the same time, however, imitation involves great contradictions with the actual circumstances of the periphery, and this gives rise to basic flaws.

Whichever way one looks at it, peripheral development lacks authenti-

city. No means have been found of overcoming the contradictions, and indeed no serious attempt has been made to do so. The penetration of technology from the centres requires more and more capital, which is not available, while it tends to absorb less and less a labour force which is relatively abundant *per se*, and is, moreover, growing at an exceptional rate: another consequence of scientific and technological progress.

By virtue of the continuous growth of productivity it brings with it, however, the technology of the centres offers a growing potential for capital accumulation. But it is not exploited as it should be. Its proper utilization is hindered by the imitation of the consumption patterns of the centres and by the fact that the latter, thanks to

their power, withdraw a substantial part of the income of the periphery. In consequence, a considerable proportion of that potential is wasted.

While the imitation of consumption patterns is based largely on inequality of distribution, the mass media play an

increasing part in aggravating its harmful effects on development. The techniques of mass communication are powerful agents of the propagation of demand for the more and more diversified range of goods which modern production technology offers.

4. *Technological penetration and structural changes*

The penetration of the production technology of the centres plays a dominant role in peripheral development.

The rise in productivity that accompanies it brings changes in the structure of society, in the course of which the upper income strata increase their power by concentrating most of the means of production in their own hands, with the result that they have institutional capacity for primary appropriation of the fruits of technological progress. The middle income strata also strengthen their position as they expand with the development of industry and other

related activities, but the lower strata remain largely excluded.

In turn, these structural changes affect power relations and the income distribution deriving therefrom.

The so-called free play of economic forces is in fact subordinated to these power relations and the interests and stimuli which govern them: relations that demonstrate the complexity of peripheral development, in which the economic phenomenon of the penetration of technology from the centres is accompanied by social, political and cultural phenomena, all linked together in close interdependence.

5. *The primary appropriation of the surplus³*

What is signified by the capacity of the upper strata for primary appropriation of the fruits of higher productivity? This is a point which must be cleared up if peripheral capitalism is to be understood.

It is common knowledge that the increase in productivity, with the resulting reduction of costs, is not passed on to the economy as a whole through a downward movement in prices. This is

because demand persistently tends to exceed the available supply of final goods, owing to the very nature of the production process.

Let us explain this in simplified terms, to some extent sacrificing the strict rules of demonstration for the sake of comprehensibility.

We are concerned with an essentially dynamic concept, conceivable only in a situation of rising production where the time factor is of crucial importance.

³This subject is discussed in greater detail in chapter III of the present article.

A period of varying length, during which the many stages of the production process are carried out, elapses between the incorporation of the fixed capital and the appearance of the final goods. Two contrary movements occur during this period. On the one hand, there is the rise in productivity. Technological progress reduces the labour force needed to obtain a specific quantity of goods; thus the corresponding fall in costs tends to lower prices.

On the other hand, in the dynamics of development the employment of labour with rising income must increase faster than productivity. Growth of productivity and growth of employment and production are basic characteristics of development.

Thus, the employment of labour required to produce an increased quantity of final goods after a given time, exceeds the employment which was necessary to produce the final goods that are currently being offered on the market.

In other words, the income paid out to the labour force which is being expanded in order to obtain more goods in the future is greater than the income

contained, so to speak, in the present final goods.

Now, in order to pay out this income recourse is had—in wholly orthodox fashion—to monetary expansion; and that expansion is converted into demand which exceeds the supply of the aforesaid final goods.

This excess demand allows the primary appropriation of the fruits of increased productivity by the owners of the means of production. Thus we can speak indiscriminately of appropriation of the fruits of the increment in productivity or appropriation of the fruits of technological progress, or appropriation of the surplus, although in this last case there is some risk of confusion with another concept of surplus.

This is the very simple explanation of a complex phenomenon to which much attention is paid in this study because of its profound significance for capitalist development. It is an essentially dynamic phenomenon. Thus it eludes static equilibrium theories, as well as the complications of an outdated theory of value which, although superseded some time ago, continues to be of outstanding political importance. I hope—and suspect—that my thesis will give rise to salutary controversies.

6. *The inadequate rate of capital accumulation*

The surplus has an increasingly great potential for capital accumulation, which is far from being fully exploited.

The accumulation effort must be more strenuous in the periphery than in the centres. In the latter, technological development takes the form of an increasingly high density of capital per person employed, in close interdepen-

dence with the growth of income and the capacity for accumulation. This correspondence obviously does not occur when the same technology penetrates into the periphery, where incomes and the capacity to accumulate capital are relatively low. Thus, a greater proportion of total income is needed to absorb the same amount of manpower on the

periphery, where, moreover, the labour force grows at a higher rate, so that the accumulation effort has to be stepped up more vigorously still.

Nor is this all. The faster productivity rises, the higher the rate of capital formation must be, and the greater will have to be the proportion of total income devoted to it.

This essential requirement is not being met in peripheral capitalism. It would appear to be incompatible with the widespread growth of the consumer society, which could not exist, as pointed out above, without the considerable economic and political power of the upper strata, which ensures their primary appropriation of the fruits of technological progress.

Furthermore, in its desire to tackle certain manifestations of this limited dynamism, the State, likewise under the influence of power relations, helps to make matters worse by withdrawing resources from the accumulation potential in order to finance spurious, not genuine, absorption of labour, principally from the middle strata.

Finally, the play of power relations at the international level enables the centres to take a disproportionate part in the gestation and appropriation of part of the peripheral surplus, with consequences which in the long run help to aggravate the insufficiency of the dynamism of development.

Unfortunately, the neo-classical economists are wrong. If in the free play of economic forces a spontaneous

accumulation mechanism were inherent, the problem of peripheral development would largely, although by no means entirely, have been solved. But there is no such thing. No mechanism exists to ensure that the rate of accumulation meets the requirements imposed by the growth rates of productivity and of the labour force. Nor is there any clear indication at the periphery of any sustained and deliberate effort to solve this problem by adopting a criterion of collective rationality.

We have just mentioned three phenomena which are typical of the periphery and help to explain the inadequate rate of capital formation. Power relations appear in them all: in the excessive consumption indulged in by the upper strata, which would be inexplicable without the inequitable distribution deriving from those relations; in the spurious absorption of labour, influenced above all by the power of the middle strata; and in the disproportionate incomes the centres extract through the play of power relations at the international level.

There are those who still see inequitable distribution as a factor favourable to capital accumulation. They are overlooking the consumer society. At the other extreme, there are many who assume that the problem of insufficient dynamism is essentially one of distribution. They are overlooking the unavoidable necessity of accumulation.

7. Insufficient dynamism and the absorption of labour

The insufficient rate of capital accumulation holds the key to the insufficient

dynamism of peripheral capitalism, i.e., of its inability to absorb, in conditions

of ever-increasing productivity, the continuous increment in the labour force, steadily raise the latter's income levels and lessen the serious income disparities linked to the structure of society.

An effort must be made to interpret these phenomena within a historical perspective. Integral development, extending beyond primary production, is a late arrival on the periphery. To make up for lost time is a task of enormous proportions. Even if the capital accumulation potential is exploited to the full and the most suitable production techniques are rationally adopted, the economy will still take some time to acquire sufficient dynamism. The less the accumulation potential is exploited and the more irrational the adoption of technology, the longer this lapse of time will be.

Absorption and the improvement of the income position of the lower strata in relation to the upper are, of course, two closely-linked aspects of the same problem, as technology from the centres penetrates into the periphery. This penetration is effected through the continual super-imposition of new layers of higher-productivity technology on those of lower productivity.

In the course of this process, the labour force employed in the lower layers tends to move upwards, attaining greater productivity and higher income levels.

The faster the rate of capital accumulation, the more pronounced this upward movement will be. If the rate is high, from each stratum a sufficient proportion of the labour force will move upwards to promote an improvement in the lot of those remaining in the same occupations

as before. On the other hand, a low rate of accumulation not only weakens upward mobility, but also results in redundant labour which is not genuinely absorbed by the system. In the periphery, insufficient and tardy capital accumulation is responsible for the continued survival of very rudimentary or pre-capitalist technological layers.

The existence of redundant manpower is not peculiar to the lower strata. It is to be found in all strata, although its implications are different in each.

The political power of the middle strata enables them to find their way into the State services in greater numbers—sometimes much greater—than are really required. This is spurious, not genuine, absorption, which also occurs as a result of the action of organized labour power⁴.

As already stated, the resources which are diverted from capital formation in this way accentuate the economy's insufficiency of dynamism, to the detriment of the lower strata. These have not enough power to share in the spurious absorption of labour, and are thus left in occupations where productivity is very low and wages are meagre—providing unskilled or almost unskilled personal services—, or simply remain unemployed.

Unemployment is also found in the higher strata, since the capacity for

⁴By organized labour power we mean the power acquired by more or less sizable groups in all strata of the labour force, through their organization in various types of association, to push up their salaries and wages above the level that would be determined spontaneously by market forces.

spurious absorption is not of course unlimited.

Rightly considered, spurious absorption is an integral part of the system and of the play of its power relations. It is, in reality, inconsistent to criticize this role of the State without at the same time attacking the prestige of the consumer society, in which a large part of the potential for capital accumulation is wasted.

If the nature of these phenomena is to be fully understood, the ambivalence

of development must be taken into account. Redundancy of labour and the hardship it implies for the lower strata are compatible with a high rate of development for the upper strata and for that part of the middle strata which actively shares in the fruits of technological progress.

In all this is reflected a sharp rise in productivity, which does more to foster the consumer society than to step up the rate of capital formation and the labour-absorbent capacity of the system.

8. *The distribution struggle*

As already noted, the fruits of higher productivity are primarily appropriated by the upper strata, where ownership of most of the means of production is concentrated. I say primarily, because at the same time a complex redistribution takes place, promoted by the increase in demand for labour which accompanies capital accumulation. The redistribution which occurs under the influence of this demand is very limited, and the greater the absorption problem, the more slowly is it brought about. It particularly relates to the labour force that possesses the wide range of skills required by the superimposition of new technological layers, extending from organization and management qualifications, which necessitate long training and experience, down to quickly-learned practical skills.

The scope of this partial redistribution is still further limited by the social power which —according to the way income is distributed— enables some to take advantage of the training opportunities offered mainly by the State, while

the broad masses have no chance of doing so. I refer, of course, to social groups, not to individuals.

The higher up the skills ladder we look, the greater is the influence of social power. At the bottom of the ladder there is the simple unskilled labour force. Spontaneous redistribution scarcely reaches it, since the wages of the labour which is absorbed are heavily affected by the low wage level of the labour which remains unabsorbed because of inadequate capital formation.

Hence the importance of political and organized labour power, which attempts to remedy the deficiencies of this spontaneous redistribution. This power is generally found in the middle strata, which —genuinely or spuriously— expand with the advance of industrialization and urban concentration.

Their ever-increasing political power enables these strata to secure, through the State, diverse forms of social consumption, while organized labour power enables them to improve their

share of total income and increase their private consumption. The power within these strata is not evenly spread, however, and large groups are more or less left behind, just like the lower strata which have little or no power. The social consumption of the privileged is thus achieved, in part, at the expense of the private consumption of those left behind. This results in redistributive reactions which soon generate the well-known inflationary spiral.

The upper strata play an active part in the spiral, by raising prices and through monetary expansion, after having given up a part of the surplus which is continually renewed. Thus, their power is not weakened, but rather takes a new turn.

As the democratization process advances and political and organized labour power is strengthened, the distribution struggle waxes fiercer and inflation becomes an inherent part of development, with all the more intensity as power reaches the groups that were left behind and the lower strata.

In this distribution struggle there is no trend towards equilibrium, no regulating principle: on the contrary, it progressively builds up its own dynamism.

Nor is this all. Unlike the inflation of the past, redistributive inflation is beyond the control of the monetary authorities, so that in Latin America we have witnessed their veritable dethronement.

Attempts to put matters right prove self-defeating when the monetary authorities decide to apply credit restrictions which were effective in the past. Such measures bring economic recession and unemployment in their train, with the consequent aggravation of the distribution struggle, and this sooner or later leads to a fresh upsurge of inflation.

It must therefore be recognized that these are relatively new phenomena which call for measures of a different kind, but for just as much discipline as is demanded by the exercise of monetary authority.

9. Inflation and political power

In such conditions, the advance of democratization would appear to lead inevitably to a distribution crisis.

Understandably, therefore, there is some inclination to lay the blame for the crisis at democratization's door.

This attitude fails to consider that under the existing system the political and organizational power of the labour force are the only means of counteracting the economic and political power of

the upper strata and sharing out the fruits of rising productivity.

This is another manifestation of the imitative development of the periphery. The unconditional transplantation of certain institutions also creates very serious contradictions. The upper strata's hold over much of the means of production and the institutional machinery, which permits their primary appropriation of the surplus, is in the long run incompatible with institutions

which, with the advance of democracy, increase the redistributive power of the middle strata; and this is even more true as democratization extends to the lower strata.

It has been possible to mitigate this incompatibility, if not to eliminate it altogether, when the development of democratization has been restrained in one way or another. All the more so if it is stifled completely, especially when the distribution crisis leads to economic disruption and becomes socially intolerable.

When the democratization process is merely restrained, representative democracy functions formally to a large extent, and the political and labour leaders are somehow incorporated in the system, linking up with the higher strata and sharing with them the advantages of development. This helps to moderate political and organized labour pressure so that it is possible, if not to prevent inflation, at least to keep it sufficiently within bounds to ensure regular development. The use of force in such a case is accidental or sporadic and is not a permanent feature of the system, except in latent form.

When the process of democratization develops unrestrictedly, however, the

upper strata turn in the last resort to the use of force to overcome the distribution crisis.

Once political and organized labour pressure is eliminated or reduced to minimal proportions, it becomes possible to lower real wages and then to curb wage increases, while monetary expansion and devaluations again raise prices and restore the surplus in full.

Clearly, then, the re-establishment of monetary authority is feasible only at a considerable political and social cost: the political cost is obvious, while the social cost resides in the fact that the restoration of the surplus once again stimulates not only capital accumulation but also the disproportionate consumption of the upper strata.

A developing system, whatever its nature, inevitably needs a certain amount of distributive discipline which, besides being equitable, must also encourage the efficient use of the capital accumulation potential. This must by no means be confused with another kind of distributive discipline of a coercive nature, which, achieved by sacrificing democratization, imparts great vigour to the consumer society while maintaining the anomaly of a coexistent sub-consumer society.

10. *Neo-classical reasoning and the peripheral reality*

It is not surprising that the contradictions of peripheral capitalism and of its relations with the centres fail to figure in the reasoning of the neo-classical economists and of those who dogmatically follow their teaching and attempt to

interpret peripheral development in its light. They have distorted the facts of the case. I must confess that in my salad days I allowed myself to be seduced by their air of strict logic and the mathematical elegance of their theories of

economic equilibrium. It has taken a great intellectual effort for me to throw them overboard in order to gain a better understanding of the real phenomena.

Those theories maintain that in a régime of free competition, income is distributed according to the marginal productivity of the various factors which enter into the process. They implicitly contain some sort of ethical concept which enhances their prestige, despite the decisive role they ascribe to economic interest at the expense of other human motives. I shall attempt to show elsewhere that this is not the truth of the matter, and that distribution is in the last resort the arbitrary result of the play of power relations.

The market mechanism is absolutely powerless to settle problems of this kind, however much it may be the fashion to speak of the social market economy. It cannot spontaneously raise the rate of capital formation to resolve the contradictions of imitative capitalism, nor can it modify the power relations which are the origin of tremendous distributive disparities. It does not prevent, but rather promotes, the adoption of certain kinds of technology which militate against collective rationality, since they sacrifice employment without contributing more than any others to the growth of the product.

This induces us to look with new eyes at the so-called market forces. It is argued that these forces, in a régime of free competition, make for an equilibrium in which resources are allocated in the best possible way. But the best possible way from what standpoint?

Here a value judgement is inevitably implied and should be made explicit.

I have no doubt that such an allocation is the best possible from the standpoint of the consumer society. Given the income distribution on which that society is based, individual initiative tends to respond fully to the exigencies of demand. But since income is distributed arbitrarily, the allocation of resources to satisfy that demand is also arbitrary. Market forces alone cannot rectify income distribution. Other measures are needed to correct it, and, if it were so corrected, the market forces would generate results very different from those obtained at present.

Nor is the market able to cope with the two-edged nature of technology. What production technology has contributed to human welfare is incalculable. At the same time, however, the evils it brings with it are increasingly obvious and disquieting. I am referring not only to the anomalies of the consumer society but also to pollution, the deterioration of the environment and the irresponsible exploitation of non-renewable natural resources. The market mechanism cannot be expected to deal with these aspects of the seamy side of technology.

Production technology really responds to the requirements of demand. It tends to move upwards, not downwards. It is not concerned with improving the productivity of the lower technological layers until a more rapid rate of capital accumulation makes it possible for them to be superseded by others in which productivity is higher. For example, new technology does not spontaneously reach the agriculture of the poor. If the yields of their land are improved, this is fundamentally due to the almost

invariably haphazard action of the State.

Furthermore, the free play of economic forces at the international level does not ensure the best allocation of productive resources from the point of view of the periphery, even if it is favourable to the centres. This is largely the consequence of the long-standing time-lag with which productive technology is making its way into the activities of the periphery, although, of course, the play of power relations at the world level must not be overlooked.

As already stated, relations with the centres develop under the hegemony of the latter, and particularly of the principal centre. Thus, the interests of centres tie in with those of the upper

strata of the periphery, and participate with them in internal power relations, by virtue of the considerable influence they also exercise in the centres themselves. These interests are subject, therefore, not only to the distribution struggle but also to political pressure that increasingly reflects the feeling of autonomy which is in fact inherent in the advance of democratization. Only it so happens that this political pressure and the distribution struggle in the periphery are liable to provoke unfavourable reactions in the centres which may also lead, as in the internal sphere, to the use of force. It must therefore be concluded that the advance of democratization likewise calls for fundamental changes at the international level.

11. *The positive role of the market*

I believe, however, that the market is irreplaceable, both for economic reasons and on account of political considerations which I shall examine on another occasion. It is the expression of individual enterprise, which would be so essential in an ideal competitive system in order to produce efficiently and satisfy the aspirations of consumers; especially if mass communication techniques were oriented towards accurate information on the goods being offered, rather than towards the abusive manipulation of what has come to be called the sovereignty of the consumer.

In addition, there is no other efficient mechanism for responding selectively to the demands of technological progress throughout the entire range of skills, from the complex organization and management of the production process to the handling of the machines.

But I am far from considering the market as the supreme regulator of development. Nor has the State often shown in peripheral capitalism any great aptitude for taking deliberate steps to influence the forces of development. Governed as its action also is by the play of power relations, it has shirked the fundamental changes without which it will be impossible to infuse sufficient dynamism into development. In default of such measures, it has come to interfere in the market, to hamper its movements, and to attack only the outward symptoms of deep-seated ills.

If nothing is done to combat the evils themselves, then the scope of planning is always extremely limited. At best, it enables the existing state of affairs to be put in order. But by itself it cannot change that existing order of things.

Chapter II

Technological penetration and the insufficient dynamism of the economy

1. *The relations of mutual dependence in development*

As a first approximation to reality, we would consider peripheral development as consisting in penetration by the technology of the centres, accompanied by changes in the structure of society. This changing structure in turn affects the kinds of technology introduced and the intensiveness and extensiveness with which they are adopted.

The structural transformation is varied and complex. The changes which occur in the income strata as technological penetration brings about a rise in productivity are of great importance for our analysis.

The strata change according to the rate at which productivity increases and the way in which its effects are distributed. But as this happens, changes also take place in the social, political and organized labour power of the different strata and, consequently, in the relations between them.

Now, the power relations which derive from the structure of society ultimately determine the distribution of income, and the pattern of this distribution conditions the penetration of technology and the ensuing rise in productivity.

This influence of distribution (and

therefore of the structure of society) on technological penetration is discernible mainly in the capital accumulation the latter requires, in the kinds of technology adopted and in the patterns of consumption. All this acts in turn upon the social structure.

These are the links of mutual dependence which characterize the technical, economic, social, political and cultural elements involved in development as a global phenomenon.

It is also global in that peripheral development should not be interpreted in isolation from the capitalism of the centres. Not only does imitative capitalism borrow a great deal from the latter, but also there is a special articulation of interests whereby peripheral development takes place under the long-standing hegemony of the centres.

The content of the present chapter will be confined to an explanation firstly of the structural changes which occur with the gradual penetration of technology in successive layers of increasing productivity and efficiency, and secondly of the absorption of labour which capital accumulation brings about in different ways.

2. *The delimitation of strata*

A few preliminary clarifications are called for before we can enter upon the

substance of this chapter. We have been referring to upper, middle and lower

strata without establishing exact dividing lines, but this rough approximation suffices for the purposes of our analysis.

The upper strata concentrate in their hands most of the means of production, whose various types and ways of utilization characterize the different groups that make up the strata. It is their ownership of the means of production that gives them their capacity for primary appropriation of the fruits of technological penetration.

In addition to the groups which actually own the means of production, the upper strata comprise groups which receive relatively high incomes for various types of work: above all, the labour force which directly serves the owners in their enterprises and has management, organizational or technical skills. There are also those who, through different kinds of links, such as banking, financial and professional services, or through the important part they play in the State machinery, in one way or another favour the interests of the upper strata and are thus incorporated in their ranks. Furthermore, they include dynamic individuals who have emerged from the political and labour organizations and who, when they join the upper strata, help to moderate the pressure of those farther below, thus contributing to the progressive development of the consumer society.

In the middle strata there are groups which also own a part of the means of production, but a much smaller share than that of the upper strata. Their income stems rather from their skills. For the sake of simplicity, I have not attempted to deal with complicated

questions of this kind in making the present synthesis of my ideas.

An essential characteristic of the middle strata is their effort to share in the upper strata's enjoyment of the fruits of growing productivity. The results depend on a power combination.

In the first place, the penetration of technology demands increasingly superior skills from the labour force. Success in acquiring these skills is chiefly influenced by social power, which enables advantage to be taken of educational and training opportunities to a greater or lesser degree, depending on income distribution and the dominant influence of the social structure on general education and technical training. Those higher up on the ladder of skills are better placed to share directly in the fruits of increased productivity, while those lower down must exercise political and organized labour power to do so. This political and labour power progressively develops with the advance of democratization.

The result of this power combination depends above all on the rate of capital accumulation and on the increasingly large investment required for the training of skilled labour.

Finally, there are the low income strata. The inadequate rate of capital accumulation and of provision for them to improve their qualifications cuts them off from all but an exiguous share in the fruits of technological progress; and any influence they can exert through political and organized labour power is generally too slight to counteract the effects of this situation.

Peripheral capitalism is showing a striking inability to solve this serious

problem of the lower strata; or rather, it is revealing its insufficient dynamism, not only in the lower but also in the middle strata, and in the distribution struggle, which is waged without any regulating principle.

3. *The dichotomy of production technology*

A little while ago we referred to the penetration of technology in successive layers of increasing productivity and efficiency. These last two concepts must now be explained, since they are of great significance in what we have to say.

The concept of productivity relates to the steady diminution of the human effort required to produce the same quantity of goods and services, thanks to greater investment in physical production facilities and in the training of skilled labour.

Increased efficiency requires an accompanying increase in the amount of capital per person, not, however, so as to reduce the labour force needed, but to create new goods or new variants of goods which are more efficient either because they are of better quality or give better service than their predecessors, or because they meet the demands of ostentation or social status. We shall simply speak of increased efficiency or more efficient goods, dispensing with value judgements: not because these are of no importance to development, for important they certainly are in a critical appraisal of the consumer society and of the values on which it is based, but because we are concerned with another aspect of the question, which we shall now take up, in view of its great relevance to our analysis.

Increased productivity and increased efficiency of the goods produced are two

of the forms taken by technological development, and they are closely linked. The production of more efficient goods has continuously developed thanks to the increase in capital per person employed, which in turn has primarily been due to the rise in productivity, in other words, to the form of technological development first mentioned. It is the higher income stemming from higher productivity that enables an increasingly large amount of capital to be accumulated, and this is devoted both to further improvement of productivity and to the constant diversification of goods and services.

This conceptual dichotomy should not lead us to think that it is a matter of two separate technologies. They are united in their development. A product which requires more capital to improve its efficiency usually also requires more capital to increase productivity per person employed.

As will be readily understood, this dichotomy is not merely of a formal nature, but is of great importance in peripheral development.

Higher productivity means an increase in the potential for capital accumulation. One of the key requisites for development is precisely that as much of this potential as possible should be devoted to capital accumulation, in order to absorb more manpower and

raise the income levels of the labour force.

However, imitation of the consumption patterns of the centres, along with other factors, prevents this from being done to the extent that would otherwise be possible. This imitation not only diverts into consumption resources which could be accumulated, but also channels capital towards the production of more efficient goods and services, despite the fact that the supply of capital is inadequate from the social point of view. The use of capital in this last form may be rational when development has acquired sufficient dynamism, but not while it is still far from that stage. The consumer society has its own rationale, however, and this is certainly not one which is consonant with the interests of society as a whole.

A further observation should be made on technological development. The dichotomy we have discussed concerns all goods and services. It exists not only in the case of final goods but also in that of the primary and intermediate products which precede them in the production process. In the latter instance, however, the replacement of

primary products by synthetic goods and the diversification of intermediate goods are ultimately a response to the dichotomy of final goods and services.

The dichotomy is also found in the three large sectors into which the economy may usefully be divided for the purpose of our analysis. These are the production sector proper, the personal services sector and the State sector. Productivity technology and efficiency technology—if I may be allowed to simplify this—are very unevenly distributed between these sectors, however.

In the production sector proper, capital accumulation is directed towards both these manifestations of technological development.

In personal services and State services, in contrast, the development of capitalism tends to place the accent on the technology aimed at increasing efficiency. This is what is meant by the post-industrial stage spoken of in the centres. But the fact that in the periphery the personal services sector and especially the State sector have expanded in spite of the distance of the economy from that stage is partly explained by insufficient economic dynamism rather than by the vigour of development.

4. *The concept of insufficient dynamism*

The penetration of technology, as has been pointed out, occurs through the superimposition of new layers of higher productivity and efficiency upon previous technological layers. Thus the new layers tend to displace their predecessors and absorb the people employed in them, as well as the increment in the labour

force. The strength of this dual absorption process depends above all on the rate of capital accumulation and of the training of skilled labour.

The existence in the periphery of pre-capitalist or semi-capitalist technological layers where productivity and incomes are very low demonstrates that

capital formation and training of skilled labour have been insufficient to eliminate them or to absorb their labour force more productively. It also reveals that the process is not developing altogether rationally, for while these layers of meagre productivity and very primitive efficiency subsist, higher layers with greater productivity tend to weaken or disappear prematurely.

Let us now see what requirements must be satisfied if the superimposition of technological layers is to correspond to a concept of sufficient dynamism, so that we may compare them with what is occurring in peripheral development.

There are two main requisites. Firstly, the entire increment in the labour force, in addition to the manpower displaced from less productive and less efficient layers of technology, must be genuinely absorbed in technological layers of greater productivity and efficiency; secondly, the different strata must increase their income, and the lower their position on the income ladder, the greater this increase must be. In other words, the income gap between the top and bottom strata must be reduced and the wide disparities characteristic of insufficient dynamism must be progressively corrected.

This reduction of the income gap derives both from progress in manpower training and from the rate at which the labour force in the different income strata moves upwards, thanks to capital accumulation.

This last aspect of the question calls for further explanation. Any delimitation of strata, as pointed out above, involves a measure of arbitrariness which may be tolerated for the purposes of our

analysis. If there is sufficient dynamism, part of the labour force passes from lower to higher strata, while another part remains in the same relative position but with higher income, because of the effect of this very movement on the demand for labour. The greater the proportion of those genuinely shifted upwards, the stronger will be the tendency towards an improvement in the lot of those who remain in the layer where they are. Thus the level of all strata will rise, although to a differing extent.

The degree of sufficiency of dynamism—in other words, of upward mobility—may differ according to the rate of growth of the labour force, the rate of capital formation and the rationality of the kinds of technology adopted. We shall revert to this subject later⁵.

For the moment, let us examine the nature of insufficient dynamism. This phenomenon occurs when productivity or efficiency increase through the incorporation of new technological layers in the whole or much of the economy, but the rate of capital accumulation is not sufficient to bring about an upward movement, both of the labour already employed and of the increment in the labour force, that will really narrow the income gap. On the contrary, there is a manifest deterioration of the position of the lower strata in relation to the higher. If the insufficiency is very great, as usually happens, redundant manpower is left, either wholly or partially unemployed.

The meaning of this should be carefully considered. Insufficient dynamism

⁵See the following sections of the present chapter.

mism does not imply absence of technological progress. On the contrary, such progress may be very great in the new technological layers. But, as will be seen below, the more productivity increases, the higher the rate of capital accumulation must rise. Otherwise, the absorption process slackens, while the incomes of the privileged strata may attain high rates of growth.

The effects of insufficient dynamism are not spread evenly throughout the labour force. An important distinction must be made here. Technological progress brings with it increasingly exigent requirements in respect of skills, and for that very reason the growth of demand for labour generally gains all the more impetus the higher the skills involved. At the other end of the scale is unskilled labour, demand for which tends to increase at a relatively low rate.

Consequently, the effects of insufficient dynamism are mainly felt by this unskilled labour force.

Insufficiency of dynamism also affects the higher strata, but there the redundant labour usually avails itself of its social or political power in order to become absorbed. This, however, is not genuine absorption responding to real needs, but spurious absorption, primarily in State services. Similar forms of absorption achieved through the exercise of labour power, may also be seen in the production process but usually to a lesser extent.

This explains the disproportionate growth of State services in some countries, both in the government proper and in public enterprises. Public enterprises, in some cases, represent an alternative

to transnational corporations, while in others they may be justified because of the monopolistic character of the service concerned. It cannot be denied, however, that underlying certain ideological reasons for which the functions of the State are extended is the desire to find sources of employment which the economy has been unable to provide because of its insufficient dynamism.

The spurious absorption of labour cannot fail to defeat its own ends, since it signifies a diversion of resources that could be devoted to capital accumulation, and the insufficiency of dynamism preventing genuine absorption will thereby be accentuated.

Care must be taken, however, not to draw partial conclusions from this. Reflection shows that the consumer society also produces these effects, with their harmful implications for the rate of capital accumulation. Basically, therefore, this is a similar problem.

To this phenomenon of spurious absorption of redundant labour must be added another which is by no means unimportant. It is to be seen in personal services, demand for which is maintained or increased precisely because these services are so ill-paid. Thus, the upper strata—in addition to retaining part of the fruits of technological progress—benefit from the widening of the income gap at the expense of the lower strata. The same advantage is enjoyed by the middle strata.

This is a phenomenon which is characteristic of regressive absorption of labour, in contrast with the progressive absorption which takes place by virtue of the growing demand for labour caused by technological penetration and

the exercise of political or organized labour power.

Our next step is to consider the main factors of insufficient dynamism, namely, the inadequate rate of capital accumulation, which has been mentioned several times in passing; the adoption of unsuitable kinds of technology; the

influence of consumption and investment patterns; and the contradictions in the training of the labour force.

All these factors are related to the structure of society and the spontaneous play of economic forces, rather than correcting the insufficiency of dynamism, tend instead to aggravate it.

5. *The rate of capital formation*

The intensity of the absorption of labour and of its upward mobility depends fundamentally on the rate of capital accumulation, the rate of increase of per capita productivity and the growth rate of the labour force.

After a long period of evolution, the technology of the centres, as is well-known, has come to require a high density of capital per person, in mutual relation with the growth of income. Since the periphery has a much lower income, the transfer of this technology compels it to devote a far higher proportion of its total income to the absorption of a labour force having the same rate of growth. The growth rate is higher in the periphery than in the centres, however; and, in addition, productivity should also increase faster if the great centre-periphery disparity is to be progressively reduced. Thus, the scale of the capital accumulation effort the periphery must make to infuse sufficient dynamism into its development is plain to be seen.

Nor is this all. The more the growth rate of productivity rises, the more the rate of capital accumulation must be speeded up to absorb the labour force available; in other words, the more the coefficient of investment in relation to

the product or to total income must increase⁶.

This is far from happening in peripheral capitalism. A factor which works against it is the imitation of the consumption patterns of the centres due mainly to the primary appropriation of most of the fruits of technical progress by the upper strata.

Thus, while the growth of productivity carries with it a great potential for accumulation, the progressive development of the consumer society, along with other factors, wastes a more or less substantial part of this potential.

⁶To illustrate the workings of the process, let us take a simple example. Let us suppose that the labour force grows at a rate of 2.5 per cent, that the rate of increase of productivity is 5 per cent and that three units of capital are needed for one unit of product. In such a case, the absorption of the entire increment in the labour force calls for a capital investment coefficient of 22.5 per cent. If the coefficient were lower, 19.5 per cent of the product, for instance, only a 1.5 per cent increment in the labour force would be absorbed.

Let us now suppose that the growth rate of productivity rises from 5 per cent to 6 per cent. This would call for an increase in the rate of capital accumulation until a coefficient of 25.5 per cent were reached, in order to absorb the increment of 2.5 per cent in the labour force.

The advance of the consumer society is notably assisted —as has already been pointed out— by the continual diversification of goods which accompanies progress in production technology and which in particular takes the form of innovations enhancing the efficiency of goods. While primary production, particularly in agriculture, has a very narrow margin of diversification, the tendency of industrial production is towards unlimited multiplication of the diversity of goods, a fact which is of great importance in internal development and in trade with the centres.

Production technology thus responds to the growth of productivity and income by generating new kinds of demand, which spread very rapidly, owing to the advance of mass communication techniques.

This movement extends to the middle strata, with their ever increasing eagerness to participate in the consumer society, to which end the forms of credit characteristic of the centres are also imitated. Consumption runs ahead of savings, to the detriment of capital accumulation. This development should not be judged in isolation, however, but in the context of a critique of the consumer society.

In the last analysis, it is one of the ways of maintaining the concentration of capital and the corresponding appropriation of the fruits of technological progress in the hands of the upper strata, while relieving the middle strata, with their natural approval, of any responsibility for capital accumulation in the production process.

There is nothing in the spontaneous play of economic forces which makes for

adjustment of the rate of capital accumulation to the dynamic requirements of the economy. In actual fact, the sort of use made of the market mechanism, through which the forces in question operate, simply reflects the structure of society responsible for the power relations which determine the uneven distribution of income. Without that structure, there would not be the exaggerated imitation of the consumption patterns of the centres, which has such manifestly adverse effects on capital accumulation.

From another point of view, insufficient capital accumulation leads to the spurious absorption of labour mentioned earlier, in which the play of power relations likewise finds expression as the political influence of the middle strata increases. This gives rise to a veritable vicious circle, in which absorption withdraws resources from capital accumulation, while inadequate capital accumulation is a contributory cause of spurious absorption.

Finally, another factor helps to weaken accumulation: power relations at the international level. The superior power of the centres enables them to extract from the periphery an over-large proportion of the fruits of technological progress, to which their enterprises have unquestionably made a highly effective contribution, particularly from the standpoint of the consumer society. We shall return to this point later⁷. Here we will only make special mention of the negative effects exerted on accumulation by the

⁷For a more thorough discussion of this important question, see chapter VI.

technology aimed at improving the efficiency of goods and services.

It has already been pointed out that this increased efficiency is obtained through a rise in the density of capital per person, which can be achieved only by stepping up productivity. This makes sense in the centres, but entails a patently irrational state of affairs at the periphery.

It is worth repeating that while there is not enough capital for the economy to acquire sufficient dynamism, capital is invested in the production of highly efficient goods, when there are others which could satisfy demand with less capital, although with less efficiency.

Here again we encounter another of

the important consequences of uneven income distribution. The more the income of the privileged strata increases in the course of development, the more pronounced is the orientation of demand towards more efficient goods, to the detriment of those produced in preceding technological layers.

The same occurs in respect of services. The more efficient services generally require growing amounts of capital investment to give the labour force the necessary training.

It should be noted that in this as in other cases, the market mechanism does no more than respond to a demand which reflects distributive inequalities deriving from the structure of society.

6. *Kinds of technology and the rate of absorption*

The rate of capital accumulation has already been discussed. We shall now deal with its influence on the rate of absorption of labour, which depends on the kinds of technology in which capital is invested, as well as on certain forms of consumption and investment.

In considering this subject, the explanations given with respect to technologies that increase productivity and those that increase the efficiency of goods and services should be borne in mind.

Let us take a look at the implications of the productivity technologies, as we termed them, for the absorption of labour. There is frequent discussion in the periphery about technological options which, while signifying less product per person employed, make it possible to absorb more labour and

ensure a larger total product for society as a whole.

Except in some specific cases, however, this subject has not been explored as thoroughly as it deserves. The centres have naturally taken no interest in such technological options, because their innovation efforts, in addition to seeking new forms of efficiency, are directed more and more towards the goal of reducing the use of labour.

In any case, the spontaneous play of market forces does not lead enterprises to search for and adopt such options as those, but rather to look for kinds of technology which increase productivity at the expense of employment.

Now, taking the economy as a whole, if the labour force grows by, say, 3 per cent, then enterprises, guided by the profit motive, will prefer kinds of tech-

nology which give an average increase in productivity of, say, 9 per cent, but with an increase of only 1 per cent in employment, rather than technologies which can absorb the entire 3 per cent increment in the labour force but give a rise of only 7 per cent in productivity. In both cases, the growth rate of the total product would be 10 per cent.

It might be inferred from this that, since the rise in the total product would be the same, it would not matter to society as a whole whether enterprises adopted the technologies affording greater productivity and less employment or those resulting in higher employment and lower productivity. This is not the case, however, since apart from the obvious social considerations, persistent unemployment or redundancy of a large part of the labour force would lead to the spurious absorption to which we referred above, and insofar as this occurred, the State, in order to deal with the problem, would have to tap in one way or another a part of the resources accruing from the productivity increment, at the expense of capital accumulation. I do not think this is far removed from what actually happens in the periphery.

It thus appears that even if the growth of the global product is the same, rationality for the enterprise does not necessarily coincide with rationality for the economy as a whole.

The followers of the neo-classical doctrines usually assert that if the laws of the market were respected, the price of capital and the price of labour —if I may be forgiven the term— would adjust themselves in such a way as to favour the options that were most suitable from

the standpoint of collective rationality. We shall discuss this subject on another occasion, when examining theories which, formulated in the centres, fruitlessly dispute the interpretation of peripheral development. Suffice it to say here that, contrary to the neoclassicists' belief, the laws of the market are interfered with not only by the rise in salaries and wages brought about by organized labour pressure, but also by the primary appropriation of the fruits of technological progress. For although the surplus is the most important medium of accumulation, it does not manifest itself in market demand for investment funds, and consequently tends to depress the price of capital.

In view of the existing ignorance regarding technological options, it is impossible to assess the influence of collective irrationality in the introduction of new layers of technology. What can be asserted is that this irrationality has some responsibility for the premature displacement of preceding technological layers.

Thus, it often happens that physical capital whose useful life could be prolonged for some time more, perhaps with a few adjustments, is replaced, out of amortization funds accumulated by the enterprise, with other forms of capital through which it is possible to reduce the labour force and obtain more efficient goods and services. Rationality for the enterprise is here in conflict with collective rationality, which would choose to prolong the working life of physical capital and use the amortization funds for new investment that would provide more employment.

In addition, as pointed out elsewhere, technological layers which produce goods of higher efficiency may displace others producing less efficient goods. The attitude of consumers is very important here. As per capita income rises, demand tends to be diverted primarily towards more efficient goods, at the expense of the technological layers which create goods of lower efficiency. The greater the inequity of distribution, the more marked this tendency becomes.

In this way the labour which was employed in the lower technological layers is reduced or eliminated, with the resultant loss of income and savings capacity and without the generation of other forms of absorption of labour. The consequences are even more serious if the physical capital employed in such enterprises is largely provided by other enterprises of similar productive rank.

These are technological layers which cannot defend themselves through the dynamics of the market. When the growth of demand is diverted away from them towards goods from higher technological layers, not only is unemployment generated, but there is also loss of the multiplier effect which might otherwise have been brought about in the labour force by virtue of the growth of any demand oriented towards their products and not towards more efficient goods. Furthermore, if this multiplier effect were secured by protecting such activities, it would not be at the expense of the goods and services produced by the higher technological layers. Demand would ultimately be directed towards them, whether they were final goods or primary or intermediate products,

although its composition would be different.

I repeat, therefore, that we are dealing with an irrational phenomenon, in which new technological layers prematurely eliminate preceding technological layers to the detriment of employment and the total product. Sooner or later the previous technological layers must be eliminated, but in a rational order: in other words, as capital accumulation makes it possible to absorb the labour which is thereby being displaced.

This tendency for demand to be diverted towards more efficient goods and services goes beyond the scope of the domestic economy. It is a factor of great importance in the external bottleneck, a phenomenon which we shall be discussing later⁸. The contrast between the high income-elasticity of imports and the relatively low growth rate of exports is mainly attributable to the evolution of the technology of the centres and the backwardness of the periphery in this respect. In the centres, new technological layers are continually being added which are the source of those more efficient goods for which demand tends to develop at high speed in the periphery. Much import substitution activity relates to such goods and to the raw materials or intermediate products which are used in their manufacture.

From this standpoint, the effect of protection for import substitution industries is definitely positive, if it is kept within certain limits, since in addition to counteracting the bottleneck

⁸See chapter VI.

it enables the labour which is not required in export activities to be absorbed. Substitution also has multiplier effects on domestic demand, since taking capital accumulation into account, it enables the rate of development to be higher than would otherwise correspond to the growth rate of exports.

There is also, however, a negative effect which has already been pointed out elsewhere. The establishment of industries to produce more efficient goods means using more capital per person, and this capital, from the point of view of the economy as a whole, could be used to greater advantage to absorb manpower and raise the income levels of the labour force.

This would appear to be the meaning of Mao's thesis on the two legs of technology: one leg in its more advanced and the other in its less advanced forms, until sufficient capital can be accumulated to permit rational elimination of the latter. It would be better, perhaps, to

speak of a number of legs, one in each layer of technology.

The emphasis Mao has placed on agricultural productivity —both through the use of generally very simple physical capital and by increased yields from the land— generates redundant labour which is employed either in the rural infrastructure or in the small or medium-sized industries with low capital density organized in the communes. Such capital as these require is produced, in part at least, in the communes themselves; and all these activities are protected against competition from the more advanced technological layers.

This is in noteworthy contrast with what occurs in the Latin American region of the periphery, where redundant agricultural labour is not fully absorbed for want of sufficient capital accumulation; some of it is simply shifted from redundancy in the countryside to redundancy in the cities through the free play of market forces.

7. Forms of investment which reduce the rate of absorption

So far, we have studied the influence of capital investment on the absorption of labour according to the kinds of technology adopted. Now let us consider another aspect of investment which is also important, and which does not necessarily relate to technology.

In this sense, two broad categories of investment may be distinguished: on the one hand, investment in goods providing a service in themselves, which, once made, entails only relatively little use of labour; on the other, investment

which must be supplemented by labour in the production of goods or services.

The greater the proportion of total investment represented by investment in goods which provide a service in themselves, the lower will be the rate of absorption of labour. Housing affords a typical case in point.

There is, of course, a considerable difference between the relatively modest capital required for the makeshift housing of the lower strata and the very large amounts invested in housing for

the upper strata. The density of capital for housing therefore depends on the structure of society and the income strata which determine demand, taking into account considerations of social hierarchy.

Thus, inequitable distribution brings with it a type of investment that also imitates to an increasing extent the patterns of the centres. I am not referring to the upper strata only, but also to a large proportion of the middle strata.

There is another aspect of investment in housing, in addition to the question of the very scanty absorption of labour once such investment is made. If, instead of the excessive investment poured into housing by the upper and middle strata, savings were devoted to giving stronger impetus to capital accumulation in the production process, the rate of absorption of labour and the rate of development would rise. But the consumer society does not spontaneously respond to motivations of this kind.

A point that might cause confusion must now be cleared up. Housing construction is an effective means of combating unemployment, since it stimulates overall demand and employment with multiplier effects. A distinction must be made, however, between this conjunctural or anti-cyclical role, and the role it may be allotted—mistakenly, in my opinion—in remedying the insufficient dynamism of the economy.

Housing has been mentioned as an example within the category of goods which provide a service in themselves. This category is a very broad one which includes State construction projects and infrastructure works in general. Here there is a great difference from fixed capital investment in the production process. The latter is determined by technological considerations which, given demand and the profit incentive, do not allow a wide margin of variation; whereas this discretionary margin may be very great in the case of investment in goods which provide services in themselves.

8. *The effects of demand on absorption of the labour force*

Another aspect of the absorption process should now be discussed. We have mentioned the need for labour with different skills, entailed mainly by the superimposition of new technological layers. This is closely linked to the strength of the demand which results from income distribution and which in turn reflects the changes that are taking place in the structure of society and in power relations.

Frequent reference has been made

to the diversification of goods and services. They are not all diversified in the same way and to the same extent. In contradistinction to what happens in the production of industrial goods, where technology increases their efficiency (in the sense explained above), in agricultural production the possibilities of diversification are limited. True, the market for every industrial product sooner or later reaches saturation point; but technological

innovations are continually translated into new goods, or new variants of goods, which awaken and stimulate demand.

At the other extreme, in contrast, the demand for agricultural goods generally grows less rapidly than income. This is also of great significance in relations between the centre and the periphery. For the time being, however, we will confine ourselves to its effect on demand for labour.

Given the relatively low income-elasticity of demand for agricultural products, labour tends to shift towards other activities. This movement is accentuated as productivity increases, especially when mechanization is introduced.

It is here that industry, skilled personal services and the State, by virtue of their diversification, play a dynamic role: that of genuinely absorbing the labour eliminated from agriculture and other labour-expelling activities.

If the labour-absorbing activities do not grow sufficiently —because of the inadequate rate of capital accumulation and the particular nature of the technologies adopted— part of the displaced labour will remain redundant in agriculture or transfer its redundancy to the cities. Failure to absorb it thus

becomes an obstacle to raising rural incomes notwithstanding the rise in productivity, except for the portion of the labour force which meets the new technical requirements of agriculture.

In this event, the income relation discussed in the context of sufficiency of dynamism, so far from improving, will deteriorate, prejudicially to the rural labour force. The fruits of technological progress thus remain in the hands of the landowner, if land is scarce. If it is not, or if production can be increased beyond certain limits through improved yields, these benefits are transmitted to domestic or foreign consumers through lower prices, insofar as they are not appropriated by transport operations or the action of middlemen. It should be borne in mind, in this respect, that remunerations in these latter activities are usually higher outside the rural environment than in it.

Insufficient dynamism also worsens the relative income position of unskilled labour in the cities, since the adverse effects of insufficient capital accumulation on their own redundancy are combined with the impact of the displacement of redundant manpower from agriculture.

9. The contradictions in the training of skilled labour

Over and over again we have remarked that the superimposition of new and increasingly advanced technological layers in the periphery calls for more and more training of skilled labour to meet its requirements.

This training involves considerable capital investment which is guided only to a slight extent by market forces. In the main, it requires deliberate and far-sighted State action.

Obviously, such action exceeds the

scope of development considerations, however important these may be. It begins with basic education and continues up to higher forms of intellectual and artistic activity.

This cultural grounding, however, like training⁹, depends to a large extent on the play of power relations. In the past, the demands and aspirations of the upper strata carried by far the greatest weight, followed by those of the middle strata. As is shown in CEPAL studies, the investment made to this end is relatively high, considering the makeshift nature of basic education in much of the Latin American region of the periphery.

This is yet another proof that the structure of society leads to the imitation of patterns current in the centres which require high capital density per person, in the educational sphere just as in economic activity proper. Here again it is at the expense of the lower strata, which are largely deprived of practical possibilities of access to training opportunities, especially higher up the skills ladder. Such are the consequences of the great disparities in social power.

But this problem, serious as it is in itself, is not the only one. Despite the efforts that are being made, training is far from consonant with the requirements of development. It is often insufficient or ill-suited to meet the needs of the new technological layers, while for the preceding technological layers it is superabundant.

⁹We are using the term "training" in a very broad sense which includes the skills needed both in the production process and in personal and State services.

What is more, there is a persistent tendency to overdo the conventional training which corresponds to earlier technological layers, whose requirements are what might better be described as vegetative, in contrast with those of the new technological layers.

There is another point, however, which is a matter of common knowledge; namely, that this conventional training is strongly influenced by considerations of upward social mobility. It is a characteristic cultural phenomenon, lying behind the social and political pressures that lead to the spurious absorption of labour by the State.

It would be a mistake, however, to attribute the existence of this problem to misguided forms of training: its roots lie in the insufficient dynamism of development, in the system's incapacity for genuine absorption of the increment in the labour force at steadily rising income levels.

We referred a moment ago to another instance of the relegation of the lower strata: the deficiencies of basic education. I am inclined to agree with those who are in a position to advocate new approaches in this and in other fundamental aspects of the process of "learning to be". But this is not a problem to be tackled outside the framework of development. Basic education is inevitably a factor in the social integration of the lower income strata, but so is the rate of development too. If there were serious discrepancies between these, further elements of frustration would be added to those which have been making themselves felt in Latin America with such serious consequences.

Chapter III

Primary appropriation of the fruits of technical progress

1. *The dynamic nature of the surplus*

I shall now deal with the mechanism for the primary appropriation of the fruits of technical progress through the formation and appropriation of the surplus, go on to consider the process of redistributing those fruits and, lastly, discuss the distribution crisis.

The formation of the surplus is an essentially dynamic phenomenon accompanying the production process in the course of development, i.e., in an economy which is increasing its production. To understand this, the time factor must be taken into account.

Between the installation of the fixed capital and the production of the final goods, a fairly long process takes place whose point of departure is primary production. During the whole of that time and throughout the successive stages of the process, entrepreneurs pay the income of the growing labour force engaged in productive activities. Through the sale of the final goods obtained at the conclusion of the production process, the entrepreneurs recover the income paid out during those successive phases. If actual conditions were static, as certain theoretical arguments assume for simplicity's sake, the income recovered by the entrepreneurs would serve to continue the production process indefinitely.

This does not happen in a growing economy, however. In order to increase

production the income paid out to the labour force must be higher than the income that is being recovered. To put it roughly, the income paid today is higher than that paid yesterday and recovered today at the end of the production process. The faster the growth rate of tomorrow's final goods, the greater is the amount of this excess income payable.

How, then, is it to be paid? Herein lies the key to our concept of the surplus. Monetary expansion is inherent in the production process, which is inconceivable without it. This expansion finances the circulating capital represented by the goods being processed in the successive phases of production.

Obviously, therefore, the amount of income created through monetary expansion exceeds the amount of income which constitutes the total cost of production of the final goods coming on to the market; and the excess income thus paid to the labour force is converted into excess demand for those final goods.

This is one aspect of the problem. The other—which ties in with this—is the reduction in costs by virtue of the increase in productivity. If there were no such excess demand, the prices of final goods would drop in proportion to that increase. This would be one of the ways—implicit in neo-classical

reasoning— of transmitting the fruits of technical progress to the community. It is precisely this excess demand resulting from the production process itself that prevents a fall in prices.

This, then, is the explanation of the surplus. In the economy as a whole, it represents the difference between the total price received by the enterprises for the final goods, by virtue of the aforesaid excess income, and the corresponding cost of production represented by the income already paid out. The surplus comprises the profits of enterprises, the interest paid on capital, and amortization of fixed capital.

Through appropriation of the surplus, the owners of the means of production achieve primary appropriation of the fruits of technical progress.

The fact that prices do not come down does not necessarily imply price

stability, since there is no mechanism in the system, however well managed, that can bring the excess demand strictly into line with the drop in production costs.

No mechanism exists for simultaneous adjustment, but only one for correction. If prices rise above the international level, allowing for customs protection, the reason is that the excess demand is more than is required to offset the decrease in the cost of production. In this event the disparity between domestic and external prices causes an external disequilibrium which will sooner or later compel the monetary authority to curtail the expansion of money. Conventional theory is sound on this point, and if the monetary authority is far-sighted it will start to curb expansion as soon as it sees the first signs of disparity.

2. *Circulating capital and the surplus*

As noted earlier, in a growing economy enterprises pay the labour force engaged in the production process a total income higher than that recovered through the sale of the final goods produced.

The scale of this monetary expansion inherent in the production process depends on the duration of that process and the growth rate of production. At all events, it represents an amount of excess income several times larger than the income which the enterprises are recovering.

In other words, the amount of circulating capital constituted by goods in course of processing, up to the final

stage, exceeds the amount represented by the final goods emerging from the production process.

Thus, while at one end of the process these final goods are coming on to the market, at the other the production of larger quantities of future final goods is being started. This bigger output is gradually produced in the successive stages of the process by means of continuous increases in the labour force and in the income it receives.

It is of interest to see what happens to the surplus in those successive stages. There is a significant contrast here: while the various phases of the produc-

tion process progress in a forward direction, the formation of the surplus moves backward.

The pressure of excess demand manifest in the production process appears first at the final goods stage. With demand for final goods exceeding supply, the surplus is created, and demand for goods in the preceding stage increases. Part of the surplus there is transferred to the stage before that, and so on back to the primary stage. There is, therefore, an internal backward movement of the surplus.

This is one of the key elements that were lacking for a clearer understanding of the nature of the production process. Thus far we have referred only to the income paid to the labour force employed in each stage. We now have to add the surplus corresponding to each stage.

This makes greater monetary expansion essential, and to the total income contained in the circulating capital the amount of the surplus must be added.

If the different stages of the production of each good were carried out in a single enterprise, the surplus would arise only once at the end of the process, however it might be distributed later, on an accounting basis, among the different phases. The circulating capital would represent only the income paid out in the course of the production process.

The last element that was lacking consists in the taxes and social security payments affecting the cost of production. They are really income paid to the labour force employed in the various government services, but of course they are of a different nature.

3. Money circulation

The foregoing explanation is merely a first approach to the subject. I should prefer not to go into complexities here that might bring us closer to the real situation; but a few of them need to be touched on.

Not all the money with which the enterprises pay the extra income reverts to them immediately when the final goods are sold. A growing proportion of it is spent on services. The demand which is thus temporarily diverted from the production process constitutes a buffer which eases the pressure on demand for goods. Part of it, for instance, is directed towards government services, personal services of different kinds, and other services.

The money which thus leaves the production orbit circulates in these other spheres, and is used to pay the income of the labour force employed there. In the course of this circulatory movement, however, the money gradually returns to the production orbit.

The demarcation of orbits is not purely formal; it is substantive. However great the need for investment in physical goods and in technical and vocational training in the three services orbits, circulating capital is not required on the same scale as in the production process. In other words, whereas monetary expansion is inherent in the production process, the same is not true of services; there are none whose

process is comparable in duration with that of production, either in government administration, or among personal services (except in a very few cases), or in communications and transport, for example.

I should now like to venture upon a digression. There is another form of diversion of demand, but this time it is within the production process itself and is a spatial diversion. I refer to

goods that have to be imported, in whatever stage of processing. Consequently, part of the monetary expansion is used to pay for these imports, whereby the countries of origin recover the income paid out in their own production process, plus part of the surplus, while the monetary pressure in the importing countries is eased. In contrast, monetary expansion increases with exports.

4. *Demand and price variations*

The monetary expansion inherent in the production process does not affect the various goods strictly in accordance with the differences in the increase in productivity. The composition of demand changes as per capita income rises, and its distribution also alters. It may so happen that brisk demand will push up the prices of goods where there has been little or no increase in productivity, so that part of the surplus is absorbed. On the other hand, in the case of goods where productivity is increasing faster than demand, part of the surplus is transferred to the consumers by means of a reduction in prices. What has concerned us thus far in our reasoning is the average level of prices and the total amount of the surplus. The same thing occurs with respect to services, depending how far they are affected by the increase in demand or the relevant decisions taken by the State. We are dealing here with internal shifts of monetary demand which do not alter the total amount of the surplus, but only its internal distribution. This brings us to a highly

important aspect of the question which is often misinterpreted.

It is sometimes maintained that if prices do not fall as productivity rises, this is due to the intervention of monopolistic or oligopolistic combinations which restrict competition, through customs protection, through patents or licenses whereby competition is barred, or by other well-known means. This is not my interpretation. What is involved is simply the same phenomenon of the internal distribution of the total surplus. Widely differing cases arise: prices which remain static or increase, despite exceptional improvements in productivity, or in the absence of any change in productivity at all. In all such instances, the monopolies or oligopolies appropriate a larger share of the surplus than they would otherwise have obtained.

The conclusion is perfectly logical. Monetary expansion is brought about not by the action of these combinations which restrict competition, but by the growth rate of production as a whole. With such combinations appropriating

a larger share than they would otherwise have had, a smaller share is left for other goods and services, owing to the corresponding shifts in demand.

To take the case of land: when additional demand for certain agricultural commodities cannot be wholly or even partly met because of the limited amount of land available, the prices of these commodities rise, and part of the total surplus thus shifts to the owners of the land, even if there has been no increase in productivity. Typically, this surplus takes the form of land rent.

A similar situation arises in respect

of urban land, except that here the increase in productivity derives from technical progress, particularly in construction and transport, and its fruits are transferred to land rent through the increase in monetary demand.

In the opposite event, when the increase in productivity exceeds demand, the surplus is transferred in the form of a drop in prices, whereby monetary demand shifts more intensively than would otherwise have been the case to other goods and services, with the corresponding effect on the surplus.

5. Absorption of final goods

Besides contributing to the generation of the surplus, monetary expansion must be sufficient to absorb the increase in the final goods coming on to the market. If instead of resorting to monetary expansion to pay the income of the labour force, enterprises make use of the surplus previously accumulated, the whole of the increase in final goods will not be absorbed. Some of these goods will pile up, and once certain limits have been passed, the enterprises will be forced to reduce production in order to liquidate their stocks. As a result of this contraction the surplus eats itself up, so to speak. That is why we have called the surplus an essentially dynamic phenomenon which is only generated under conditions of growth.

A few words on economic contraction are called for at this point. When final demand is affected in the way that has just been described, stocks pile up, as already mentioned, since the final goods

are not absorbed at the increasing pace anticipated. This reduces demand in the preceding stages of the production process. The contraction is therefore transmitted in a backward direction, all the more intensively the greater the distance from the final stages of the production process. It should be borne in mind that what was being prepared in those distant stages was an increase in future production that would exceed the increase in the final goods whose insufficient absorption has started the contraction.

It was noted earlier that the diversion of the demand generated in the production process has some cushioning effects. This occurs not only when such demand exceeds the supply of final goods, but also in the reverse situation. When economic activity contracts and unsaleable stocks of goods accumulate, the return or reflux of demand from the services to the production sector helps

to liquidate those stocks and thus contributes to the system's recovery.

It should once again be noted, however, that this buffer role of the services sectors is due to the fact that their production process is not characterized by the monetary expansion inherent in the production of goods, or at least not to a comparable extent.

The question may now be asked: why should enterprises use the surplus instead of resorting to monetary expansion? The reason might be the adoption of a restrictive policy by monetary authorities who might consider the expansion to be excessive, or it

might also lie in the spontaneous operation of the system.

Part of the surplus goes into accumulation of fixed capital, and this takes place on a cyclical basis. During the upward phase the rate of growth is rapid, to make up for what has previously been left undone and to incorporate new levels of technology. For that very reason, however, this pace cannot be kept up indefinitely. As it gradually slackens, it is only logical that the entrepreneurs should have less need of monetary expansion. They then use part of the surplus to pay the increase in income, with the consequences noted above.

6. *Some comments on the cycle and the surplus*

We have already referred to the internal diversion of the demand originating in the production process. A similar diversion occurs in the relations between the centres and the periphery. Part of the income created in the process of producing goods for export is generated by the periphery. When the centres purchase these goods for their own production purposes, the peripheral entrepreneurs recover the income paid by them, plus the surplus transmitted backwards from the final stage. This movement of money between the centres and the periphery has the same cushioning power as was indicated in the preceding case.

The foregoing comments also hold good for cyclical movements, and I refer to them here in order to avoid oversimplification of my argument. The truth is that the cycle is the growth

pattern of the capitalist economy and we cannot omit some simple comments on it in the present article.

In reality, the peripheral cycle is virtually unexplored. In the days of outward-directed development it was a movement set going by the cycle in the centres, and particularly the main dynamic centre of that time. The progressive development of industrialization, however, has tended to generate certain internal movements superimposed on those of external origin, accentuating or attenuating them according to circumstances, with corresponding effects on the surplus.

The main manifestation at the periphery of the cyclical movement in the centres is an increment in commodity exports. The increase in the prices of these commodities, and also, although generally on a lesser scale, in their

volume, gives greater impetus to production.

The result of this intensification of the rate of internal expansion is an increase in the surplus, which in its turn stimulates the growth of investment, with a consequent rise in productivity. This is a conjunctural rather than a structural shift of the investment coefficient.

The upward swing is accompanied by an increase in imports, which, although it usually outstrips the growth of total income, lags behind that of exports. A net monetary expansion of external origin is therefore added to the internal expansion inherent in the production process.

The opposite situation occurs in the downward swing, and if the free play of the economic forces is permitted the contraction is further intensified. This is an image more properly belonging to the past, as will be seen below.

During the phase of expansion, the State normally increases its revenues at an exceptional rate: hence the irresistible temptation to step up its expenditure and investment, including

that determined by political pressure of a redistributive nature, the spurious absorption of labour, and other factors.

When the cyclical contraction supervenes, it not only has direct effects on employment in the production process, but also affects fiscal resources. Their reduction leads to a corresponding restriction of expenditure or investment, unless political pressure prevents this measure from being applied, at any rate as intensively as is required by strictly orthodox monetary policy. The contraction also leads to disruptions which accentuate the arbitrary nature of the distribution system. Here we have another of the consequences of the free play of economic forces, this time at the international level. We shall revert to this point in the following chapter.

Meanwhile, it should be noted that during the phase of expansion the surplus increases, owing both to the improvement in productivity and to the cyclical rise in prices; while the opposite occurs in the downward cycle. All this has its effects on the distribution struggle, as will be seen in due course.

Chapter IV

The free play of economic forces and the redistribution struggle

1. *The inherent inflationary propensity*

In the opening pages of this study a thesis was put forward which must have seemed somewhat surprising. It was stated there that the propensity towards inflation was inherent in a certain stage in the development of peripheral capitalism. I am not talking

about the old fashioned kind of inflation associated with the peripheral countries, but a new phenomenon arising out of the distribution struggle in power relations. The present chapter will be devoted to examining this question.

The days of the orthodox functioning

of the monetary system are long past. Its operation depended on two paramount factors: first, on the weakness of the lower strata compared with the power of the upper strata, and secondly, on the influence exerted by the monetary authority. Concerned as the latter was about the relative stability of domestic prices, it endeavoured—in order to avoid producing external disequilibria—to adjust monetary expansion to the genuine requirements of the production process.

This combination of factors enabled the upper strata to keep the cumulative surplus and relinquish only a proportion of the increment in it as demand for labour grew through the free play of economic forces.

This was the classic *modus operandi* of the gold standard. It had a golden age of its own, in which it was placed on a somewhat exalted pedestal by a theory which explained its operation without going into the question of the surplus or the complications of the cycle. That period was brought to an end by the First World War.

The Latin American region of the periphery often failed to comply with the requirements of orthodoxy, either because of the inflationary pressure of the upper strata, with their invariable propensity to appropriate more of the surplus, or because of the financial incontinence of the State. Another factor, of course, was the acute external

vulnerability of the periphery to the cyclical movements referred to above.

Be that as it may, the distribution struggle now poses a problem of inflation in terms very different from those ruling in the past, although this does not mean that the past trends have completely died out. They merely further complicate the present inflationary situation.

A little thought will show that the action of the monetary authorities both in the centres and at the periphery, in spite of powerful forces which have always tried to undermine it, is a unique experience in capitalism: a superior and impersonal regulating mechanism has prevailed over the free play of economic forces, however much its automatic nature may have been mistakenly exalted.

The monetary authority has lost its pre-eminence, and the Latin American periphery would seem to have the singular though somewhat dubious merit of being the forerunner in this vitally important development. It is becoming increasingly difficult for the monetary authority to fulfil its stabilizing functions, as the redistributive power of the labour force gathers impetus in the effort to share the fruits of technical progress with the upper strata.

Its dethronement, however, has not been followed by the establishment of any other regulatory mechanism in the distribution struggle.

2. *The pursuit of redistribution*

In the absence of such a mechanism, advancing democratization has brought with it an increase in the redistributive

power of the groups lower down the income ladder (mainly the middle strata), which are now vying with the

power of the upper strata to appropriate the surplus.

This redistributive power, which makes itself felt through political or organized labour channels, strives to achieve a progressive distribution of income, and to a certain extent it succeeds.

It is also exercised, however, to counteract certain regressive effects which likewise derive from the free play of economic forces, at both the national and the international level.

Let us first examine the development of this redistributive power and the regressive consequences it entails, which in themselves are enough to bring about a distribution crisis, particularly if they are added to the complications of the progressive redistribution process.

In chapter II we observed that the redistributive capacity of the free play of economic forces was very partial and limited owing to the weak competitive position of a large part of the labour force. We said there that the lower their position in the scale of qualifications required by technical progress, the smaller was the workers' share in the fruits of increased productivity, while the higher up the scale, the stronger was the influence of social power in the training of skilled labour. Such social power derives not from the free play of economic forces but from the structure of society.

Political power and organized labour power — as a result of democratization — strive to remedy this weakness in the competitive position of the labour force and to enable it to increase its consumption by sharing in the surplus.

Political power tries to improve

social consumption through the State, while organized labour power, sometimes supported by political power, endeavours to increase private consumption and prevent the growth of the former at the expense of the latter.

The increase in social consumption is manifested in a wide range of redistributive measures relating to health and education, social security and welfare, and housing.

These redistributive measures are decidedly unequal. The first to benefit from them was the traditional middle class, which has been joined, with the passage of time, by skilled industrial workers who are gradually being absorbed into the middle strata. The benefits concerned are now tending to spread to the lower-income strata. Nonetheless, even in the middle strata they are very unevenly distributed, in accordance with obvious disparities in power, as will be seen below.

If the increase in social consumption is to be genuine, it must be achieved at the expense of the surplus, either by means of taxes that will really fall on the upper strata, or through the redistribution of the surplus within certain limits.

It so happens, however, that the political power of the upper strata is generally strong enough to divert the burden to the labour force. In fact, a fairly large proportion of the expenditure and investment demanded by social consumption is covered by means of taxes or contributions which raise production costs or have unfavourable effects on salaries and wages.

If the enterprises absorb the higher costs by virtue of the surplus, or grant

compensatory wage increase (absorbed in the same way) by virtue of the organized labour power of those adversely affected, a real and genuine increase in social consumption will have been achieved, over and above the part covered by taxes levied on the upper

strata. If those higher costs are transferred to prices, however, an inflationary spiral becomes inevitable.

The same observation is applicable if organized labour power obtains wage increases which directly step up its private consumption.

3. *Limits to the reduction of the surplus*

All this leads to a vitally important question. To what extent does the surplus absorb the increase in social and private consumption? This depends on the following three factors:

the size of the increase in consumption sought;

the size of the surplus accumulated by the enterprises;

the monetary system's freedom to manoeuvre.

The size of the consumption increase sought is in keeping with the strength and scope of the political and organizational power of the labour force. The range of situations is fairly wide, since it extends from that of the groups wielding most power in the middle strata to that of groups holding minimal power in the lower strata.

The struggle to obtain increases in consumption is therefore very unequal. The most powerful forge ahead, while the other social groups with less power lag behind them.

Let us first of all consider the consumption increment achieved by the most powerful groups through salary and wage increases. Of course, the enterprises will endeavour to transfer these increases to prices in order to protect the surplus. This is where the

monetary authority comes in. It will try to prevent a rise in prices, but it has little room to manoeuvre beyond a certain limit. Two extreme cases will illustrate this point.

In the first of these, the growth of the surplus due to the improvement in productivity enables the enterprises to absorb some of the desired increase in consumption, while at the same time augmenting the cumulative surplus. This, however, means that the monetary authorities must be very careful not to carry monetary expansion further than will meet the requirements of the production process without raising prices.

In the other extreme case, the groups with most political and organized labour power try to obtain an increase in consumption which equals or exceeds the amount of the surplus. The monetary authority is then forced to expand credit further than in the former case, with the object of allowing prices to rise commensurately with the amount whereby the total increase in remunerations exceeds what is absorbed by the surplus.

If the monetary authority does not give way, a contraction will be inevitable, as we shall see later. Between these two

extremes there is, of course, a whole range of intermediate situations.

The first extreme case arises when the upper strata on the one hand and the monetary authority on the other have sufficient power to act in accordance with orthodox principles.

In the second case, whether the increase is wholly or partly transferred depends on the capacity of the enterprises to absorb the increase in remunerations without seriously sacrificing their accumulation potential, and on the degree of development of the consumer society.

It should be noted in passing that this accumulation potential is reduced only when wage increases are not transferred to prices, for when the surplus is invested or spent on consumption, it reproduces itself once again in the production process, over and above the increments generated by the growth of production. This propensity of the surplus to reproduce itself, as stated earlier, is not due to limitations of competition. With or without such limitations, it is a dynamic phenomenon inherent in the production process.

4. *The inflationary spiral*

The transfer of the increase in the remuneration of the most powerful groups to prices means that the part of the increase in their consumption not absorbed by the surplus is obtained at the expense of the consumption of the other less powerful groups in the middle strata and, particularly, in the lower strata.

Matters do not stop there, however, since the reaction of these adversely affected groups is not long in making itself felt. They try to regain what they have lost and also to share in the increase in consumption resulting from improved productivity. As they obtain salary and wage adjustments, the pressure on the surplus is accentuated. To the increase in consumption achieved by the most powerful groups are now added the efforts of the groups left behind. As a result, the monetary authority's room for manoeuvre is still further reduced and the adjustments obtained by these lagging groups are transferred to prices.

Thus the spiral develops. The new rise in prices reduces the consumption increase previously secured by the most powerful groups. Meanwhile, the most under-privileged groups, which have not yet received any adjustment at all, suffer a further contraction of their consumption. Their capacity for endurance is not unlimited, however. The disparity is accentuated with inflation and the political reaction of those affected finally forces the State to grant across-the-board adjustments which give added impetus to the inflationary spiral. In this manner, inflation spreads throughout the structure of society. It is a well-known fact, however, that some persons—especially those receiving fixed income—are excluded from such adjustments.

As inflation spreads, the intervals between adjustments become shorter and shorter, with the consequent acceleration of the spiral.

There is another aspect of the

distribution struggle which cannot be overlooked. Chapter II refers to the introduction of new and more productive layers of technology which are superimposed on the previous layers and afford a broader margin for the exercise of power by the more advanced groups.

The resulting increase in productivity makes it easy for the enterprises concerned to raise wages. The case is not the same, however, in the preceding layers of technology, which have a smaller margin of accumulated surplus. Across-the-board wage increases, unaccompanied by a comparable increase in productivity and, therefore, in the surplus, are yet another element in the distribution struggle.

All this concerns the distribution struggle proper, i.e., the efforts of the labour force to expand its private and social consumption by sharing with

the upper strata the fruits of the increase in productivity. The power of the labour force is also exercised, however, in order to make good the reduction in its consumption caused by structural phenomena which the free play of economic forces in the system is unable to correct. Nor can the play of such forces obviate the disparities in distribution to which its very nature gives rise, and which, as explained above, the labour force attempts to correct by using its political and organizational power.

Underlying these phenomena is the arbitrary nature of the distributive system of peripheral capitalism. I cannot believe that all this reflects a fatalistic determinism. I feel rather that the explanation is simply that the periphery has not succeeded in finding new formulas to tackle the basic problem of capital accumulation and income distribution.

5. *Structural and functional factors of inflation*

One of the structural phenomena is the concentration of land ownership, plus the traditional type of landowner's reluctance to make any great effort to introduce techniques designed to improve yields per unit of area. If, owing to the growth of population and income, demand increases faster than production, the prices of certain staple foods will tend to rise. This is sufficient in some cases to trigger off spiralling inflation, or to accentuate it if it already exists.

This aspect of inflation prompted some CEPAL economists, a few years

ago, to develop the structuralist theory, about which more will be said later.

Another structural phenomenon is connected with foreign trade. We have explained elsewhere that, given the production structure of the periphery and of the centres, demand for imports grows at a consistently more rapid pace than exports. With the object of correcting this disparity, the policy of import substitution based on protection was adopted. Through their political power, however, enterprises have generally abused this need for support, which has been obtained on an exaggerated scale

and for an indefinite period. This, too, has caused domestic prices to rise, with the consequent reaction on the part of the labour force.

Apart from these structural phenomena, mention must also be made of the effects of the cyclical movements on the surplus and the inflationary trend inherent in the system. The surplus tends to increase in the upward phase of the cycle and to contract in the downward phase. In the former, pressure for redistribution is eased, while in the latter it is intensified.

This increase in the surplus derives

not only from the rise in the price of exports, but also from the impact of new and increasing capital investment on productivity, and the fuller utilization of installed capacity as a result of the cyclical expansion of demand.

The situation becomes more complex when the rise in the price of exports adversely affects domestic consumption. Without going into too much detail, it does seem worthwhile to note one important consequence of the cyclical contraction. We will now complete although very briefly, the remarks on it already made in the previous chapter.

6. *Economic contraction at the periphery*

The progress of democratization prevents the contraction from developing naturally, as required by orthodox monetary principles, since political pressure intervenes in favour of anti-contraction measures. I do not say that this is the best course: it would seem preferable to adopt measures at moments of greater prosperity in order to mitigate later on the effects of the downward-phase contraction. But this is not the usual procedure. Boom periods do not seem to encourage farsightedness.

Be that as it may, the political pressure in question is not exerted only by those who have reaped the benefits of government expenditure and investment at more favourable times. This in itself would constitute understandable grounds for opposing cuts in such expenditure. In addition, however, political pressure is applied by the goods-producing sector, since it also suffers the effects of the decline. A

Keynesian deficit then becomes a feature of the public finances, and the monetary expansion to which it gives rise tends to counteract the internal contraction.

At the periphery, however, a Keynesian policy's room for manoeuvre is much more limited than in the centres, and especially the main dynamic centre. Although, admittedly, even there the deficit has the effect of increasing imports, it is nonetheless true that this stimulates the recovery of other centres and also of the periphery itself. The increase in imports is thus accompanied by an increase in exports, although only after a certain time-lag.

Keynes—as is the habit of many economists of the centres, although to a lesser extent now than before—has ignored the periphery. A peripheral country is not in a position to influence the recovery of the centres to any significant extent, even if it maintains

or steps up its imports from them: this is another typical manifestation of the passive nature of the peripheral economy. It does not generate and transmit stimuli but merely receives them.

The monetary expansion brought about by the internal deficit results in price increases, in addition to an external disequilibrium which necessarily leads to devaluation, even though this may be postponed by means of more or less dexterous contrivances.

As may be readily understood, devaluation makes it possible to combat the disequilibrium, but it does nothing to contain the rise in domestic prices. On the contrary, it helps to sharpen their upward trend.

Even when interests converge in favour of a monetary expansion policy to counteract the cyclical decline, it is not long before this convergence disintegrates as prices increase. While the upper strata protect or even augment the surplus through devaluation, those

lower down also strive to defend their remunerations, endeavouring to recover from the impact of price increases—caused or intensified by devaluation—on their consumption.

As these adjustments take place in the course of the distribution struggle, the external effects of devaluation diminish until another devaluation becomes necessary, and this process is repeated again and again, while inflation, accentuated by the continuing fiscal deficit, pursues its self-propagating course.

The conclusion seems very clear. In view of the cyclical pattern of peripheral development, so strongly influenced by the centres, the advance of democratization leads first to political pressure in favour of compensatory measures, and then to the distribution struggle. It is no longer just a question of increasing the share of the labour force in the distribution of income, but rather of avoiding the regressive effects of compensatory policy.

7. The monetary authority's dilemma

In another part of this chapter we maintained that when the increase in consumption which the labour force is trying to obtain amounts to more than the surplus would be able to absorb, the monetary authority is forced to intensify monetary expansion in order to prevent a contraction. It is, indeed, faced with a serious dilemma. Either, as we say, it decides to expand credit over and above that required by the production process, with the consequent amplifying effect on the inflationary spiral, or it refuses to do so, thus causing a contraction.

We will now try to explain why this necessarily occurs. Let us recall the role of the monetary expansion inherent in the production process. It is a dual role: the expansion generates a surplus by preventing prices from dropping as productivity rises, while at the same time it enables the increase in final goods to be absorbed. If it is restricted by the monetary authority, the market cannot absorb this increase in final goods, and stocks pile up in the final stage of the production process. That is how the contraction begins.

The initial fall in demand caused by monetary restriction gradually spreads to the earlier stages of the production process and leads to the accumulation of stocks, on a scale that becomes all the larger, the longer the distance between the stage concerned and the end of the process.

I say this to ensure that the nature and implications of the distribution struggle may be clearly understood. What is more, in the course of this struggle the adjustment —i.e., the amount of private consumption that the less privileged groups are trying to regain or gain additionally— increases in size.

Accordingly, a restrictive policy leads to a contraction whose severity depends largely on the disparity between the

dimensions of the surplus and those of the consumption increment pursued in the redistribution struggle.

Such, then, is the dilemma with which democratization inexorably confronts the monetary authority: a contraction of the economy, or the continuance of spiralling inflation with no possibility of containing its persistent spread as pressure from the groups left behind grows stronger and wage and salary adjustments become more frequent, to say nothing of the added effects of periodical devaluations.

Of course, neither alternative is socially or politically acceptable; but we will not embark on discussion of this problem until other complex questions have been clarified.

8. *Inflation and unemployment*

A case of counter-productive duality in monetary policy is frequently met with: credit expansion to cover the fiscal deficit, coupled with restrictive measures to combat the inflation inherent in the production process.

The factors causing the deficit are well known. Inflation itself is one of them, when power relations induce the monetary authority to adjust wages and expenditure in general without a corresponding tax effort, or when the authorities fail to make such an effort to cover the spurious absorption of the labour force.

The creation of money arising out of the fiscal deficit is generally considered to be sufficient to cover the monetary expansion required for production

purposes, and in order to slow up the rate of inflation, the amount of money needed for the expansion of production itself is restricted. This necessarily leads to a contraction, even though the total amount of money continues to grow on inflationary lines owing to the deficit.

The increased income which is essential in order to expand production —and which constitutes the working capital of the enterprises— calls for monetary expansion several times greater than the income which the enterprises recover when they sell the final goods.

The inflationary increase in the surplus caused by the fiscal deficit cannot act as a substitute for this monetary expansion, however, since

the surplus, as already explained, is generated in the final stage of the production process and passed back over the preceding stages, thus increasing the value of the goods in course of processing which form part of the working or circulating capital. Consequently, the surplus could not be used to pay the increased income required for the expansion of production.

Therefore, in view of the way in which the system operates, if the growth of production is to be maintained it is essential that the monetary expansion inherent in the production process should continue. It will have to be all the greater, the more vigorous the inflationary growth of the surplus due to the fiscal deficit. If credit restrictions prevent it from keeping pace, the result will be a contraction.

Let us take a careful look at what this means. On the one hand, the restriction of credit by the monetary authority leads to unemployment. On the other hand, the inflation caused by the deficit continues to push up prices and strengthen the pressure to increase the salaries and wages of those still employed. This explains the coexistence—far from peaceful, to be sure—of

unemployment and the all-too-well-known spiralling inflation of prices and wages.

It should be noted, however, that a contradiction of this kind does not arise only out of the duality of monetary policy. This is an extreme case. It is sufficient that monetary restriction should cause a contraction of the economy, even when there is no fiscal deficit. The contraction brings unemployment, but the spiral continues among those still employed, owing to the propagation phenomenon explained above. Indeed, those lagging behind will strive not only to catch up but also to make progress, and to the extent that they succeed through their political and organized labour power, the resulting price increases will affect those in the lead. The difference between this and the preceding case, where the effects of the fiscal deficit supervene, obviously lies in the intensity of the inflationary process.

It is generally believed that unemployment alleviates the distribution struggle. This supposition fails to take into account, however, the fact that the corresponding decline in production tends to militate against any such alleviation.

9. *The distribution crisis*

In any case, contraction rapidly becomes socially and politically intolerable. Thus, a further expansion becomes necessary, accompanied by a corresponding currency devaluation, until the surplus is re-established in full.

The system cannot function normally without the surplus, for this is the main

source of capital accumulation. The re-establishment of the surplus, however, also gives fresh impetus to the consumer society, which is the outward and visible expression of acute social inequality.

As explained above, expansion and the distribution struggle give increasing momentum to spiralling inflation, which

spreads faster and faster and entails more and more frequent salary and wage adjustments. The result, of course, is the disruption of the system. This disruption cannot be corrected by futile attempts to repress certain symptoms of inflation, which end by making the continuation of the process insupportable.

Such is the nature of the distribution crisis. It has no spontaneous denouement arising from the interplay of power relations. The denouement must be a political one: either a return to the smooth development of a consumer society, to the serious detriment of democratization, or a transformation of the whole system¹⁰.

Neither repressed inflation nor monetary therapy is the remedy for this disease. Monetary therapy assumes that the disease is the effect of a plethora of money. Therefore, by simply eliminating that excess the problem is solved. It is just a question of firmness of conviction, as in the classic case of the physician who diagnosed a plethora of blood. The patient therefore had to be bled. He languished on, but got no better. There was nothing for it but to bleed him again until the treatment was proved to be effective. Effective it was, to be sure, and, incidentally, it killed the patient in the process. Which does not necessarily lead to any loss of faith in the treatment¹¹.

¹⁰We will revert to this point in chapter v.

¹¹I am referring here to contraction deliberately induced by monetary policy, and not to that caused when an external deficit is not covered by credits or by the restriction of certain imports.

It was their reaction against this kind of treatment that prompted some CEPAL economists, some years ago, to challenge other economists from the International Monetary Fund who claimed that inflation could be eradicated by means of monetary restriction. The merit of the former —and I was not among them— was to point out that the remedy was counter-productive. Their contention was that inflation had its origin in structural and not in monetary factors. This set afoot the famous controversy between structuralists and monetarists; and the pendulum swung rather too far —as always happens in such cases— on the structuralist side.

I do not know whether after this exposition I shall be called a structuralist. I refuse to classify myself or be classified. I do, however, recognize that a thorough structural examination of peripheral capitalism is necessary.

The interplay of power relations really originates in the changing structure of society, without which there can be no explanation for the arbitrary distribution of income, the insufficient rate of capital accumulation and, therefore, the tendency of the consumer society to exclude large masses of the population from the fruits of development. The free play of economic forces reflects those relations and can neither prevent nor correct their effects at the domestic level. Nor can it do so at the international level, subject as the periphery is to the cyclical movements and other vicissitudes of the centres.

These and other flaws in peripheral capitalism need to be investigated in greater depth; their causes must be sought at the very roots of the system.

I am endeavouring to do so in this provisional document, and in the attempt I repudiate more firmly than ever any hankering after classification in pre-established categories.

As I said before, the market can become an effective technical mechanism if steps are taken to make the rate of capital accumulation truly dynamic

and radically change the distribution system. Perhaps conditions will then be propitious for the restoration of the monetary authority, but only as an integral component of a development discipline. This subject involves the theory of change and the political art of development, with which we will deal on another occasion.

Chapter V

The democratization process and the interplay of power relations

1. *The development of political and trade union power*

The democratization process at once accompanies and influences the course followed by development and the structural changes it brings with it. Its scope and ramifications are vast, but in this study we will limit our examination to its significance in the distribution process and in the crisis towards which this process tends in the more advanced stages of development, as already explained.

In the phase of outward-directed development, characterized by the penetration of the production techniques of the centres into primary production and related activities, the predominant political power was that of the members of the upper income strata, whose links with foreign capital were very strong. The middle classes were developing too, but their political power was very limited. Most of the population remained submerged in a layer of precapitalist technology, barred from the economic,

social, and political process and, of course, from the fruits of development.

The progressive expansion of the middle strata begins with industrialization. New elements are being incorporated into the original middle classes, alike in private and public activities and in the professions: the elements that possess the qualifications increasingly demanded by advancing development.

The necessary skills—in the broadest sense of this term—are, of course, very unequal. As explained elsewhere, the higher the skill, the greater the ability of its possessors to participate in the fruits of increased productivity, and conversely, as levels of skill descend, this ability grows weaker and democratic (political and organized labour) power makes itself felt, obtaining what is not automatically provided by the free play of economic forces.

Thus, as the economic process advances, the middle strata expand

in the two ways explained elsewhere: partly as a result of genuine absorption of the labour force, and partly by spurious absorption, mainly in State activities.

Once again we witness here the actions and reactions that go hand in hand with structural change. The political power of the middle strata gradually secures for them the general education and training which formerly were confined mainly to the upper strata. As this process continues, their political and labour power is intensified, together with other significant signs of democratization. In this way they develop an awareness of their own identity, of the role they play, of the social advancement to which they aspire, for the achievement of which economic improvement is an intrinsic element. The expansion of the middle strata and the march of democratization thus strengthen each other.

It is common knowledge that the characteristic phenomenon of urban concentration, which results largely from the growth of technology and from income distribution, is favourable to this multiform development of the middle strata.

The influence of mass communication media in this structural change is also very marked. It partly accounts for the fact that the democratization process tends to make itself felt at an earlier stage in the development of the peripheral countries than it did in the centres. This holds good not only for the middle but also for the lower strata.

In fact, the political movements which voice the interests and aspirations of the middle strata try to find support

by mobilizing the lower strata. In this way, they play a part in awakening and spurring latent aspirations, long bridled, and the distribution struggle thus acquires very significant new dimensions.

Hence a phenomenon of major importance emerges. The growth of democratic power in the middle strata and its extension to the lower strata—however limited it may be—results in a steadily widening gap between the economic process and the democratization process.

There is no need to repeat the explanation already given with respect to the main factors responsible for this disparity. What is important now is to draw attention to its serious consequences. The unchecked advance of democratization in the areas of both political and organized labour power, in opposition to the economic and political power of the higher strata, increasingly sharpens the inflationary trend inherent in peripheral capitalism, as the distribution struggle grows more strenuous. As a result, the rate of capital accumulation is affected and that of absorption of the labour force slackens.

There is no spontaneous mechanism to correct the disparity, and collective rationality would therefore seem to enjoin a deliberate effort to ensure a suitable rate of capital accumulation at the expense of the advance of the consumer society. If such an effort is not made, the development crisis sooner or later leads to a setback in the march of democratization, unless of course this process has already been contained.

This is a very disconcerting conclusion for those who believed in the

possibility of concomitantly attaining the major objectives represented by economic development, on the one hand, and social equity and the sustained advance of democratization on the other. Perhaps that is not the best way of expressing the incompatibility involved. Rather, the incompatibility is between the exaltation of the consumer society and the democratization process.

Clearly, a regression in democratization, in terms of both political and organized labour action, makes it possible to devitalize, if not altogether

stifle, the distribution struggle. This would appear to be inevitable as long as the distribution and accumulation system remains unchanged.

In the interplay of power relations, political and organized labour action is the only means at the disposal of the labour force (apart from their limited social power) for counterbalancing the considerable power of the upper strata. But if political and organized labour power is exercised completely without restraint, this brings the system to a crisis.

2. *The containment and reversal of the democratization process*

There are many ways of causing the democratization process to slow down, stop, or lose ground, and in given situations elements of force, manipulation, and persuasion can be combined in a variety of ways.

Very important and significant, however, is the type of political régime in which representative democracy develops in all its formal manifestations, but with very little substance. Great mass movements may take place, but only if they are directed from the summit of the system. There is no systematic use of force, which is kept in reserve, but it is available at any moment in cases of emergency.

The key to such a régime lies in its ability to incorporate those who may be called the dynamic individuals of the system, and who tend to emerge in all strata. These are the individuals who are distinguished for their imagination and initiative, their organizational ability, their fighting spirit, and their capacity for taking risks and assuming

responsibility. The vitality of these dynamic elements, however small a proportion of the whole they may represent, is two-edged, in that if they can be incorporated into the system and find opportunities for social advancement, its impact is positive for development, whereas it is negative and disrupting if this is not the case. The rate of development is of great influence in this connexion.

In any event, the attitude of such persons is in direct contrast to the passivity of the greater part of the labour force, who, irrespective of their level of technical and professional skills or intellectual qualifications, are not inclined to take an active part in the distribution struggle or in pressing political or other claims unless they are spurred on by the dynamic individuals. They are vegetative elements in the structural formation.

Among the dynamic elements, considerable importance attaches to those who emerge and rise by virtue of

their qualities in the course of the democratization process. Political and labour-organization leaders are a case in point. Their incorporation into the system and their possibilities of entry in one way or another into the consumer society facilitate some linking-up of interests with those who manage economic activity: a sort of alliance which is generally concerted under the aegis of the State in the interplay of power relations.

Other dynamic elements which could hardly remain on the sidelines are the members of the intelligentsia, whose innate tendency to criticize the system is likely to be further accentuated insofar as they are not or have ceased to be absorbed by it.

Such alliances or commitments naturally channel and moderate the intensity of the distribution struggle, and in this way they contribute to the smooth development of the consumer society.

It was explained elsewhere that the rate of absorption and upward social mobility of the lower strata which make up the sub-consumer society tends to slacken, so that they lag behind and achieve only a minimal rate of development, if indeed any at all, whereas for those higher up the rate of absorption and betterment may be very rapid. Deprived of their dynamic elements, the lower strata are not in a position to develop their democratization potential save through the typical forms of popular mobilization referred to earlier.

The whole question is so complex that these brief observations are inadequate to deal with it. The absorption of dynamic elements makes the

systematic use of force, even by authoritarian régimes, unnecessary, all the more so if such régimes are subject to regular periodic renewals, accompanied by some degree of movement of their dynamic elements, which reduces if it does not obviate the rigidity of the system.

The case is very different where the development of the consumer society is based mainly on the use of force. The collective weight carried by the dynamic elements in labour organizations and popular movements is lessened or nullified in one way or another, whereas the dynamic elements in economic activity are untrammelled by constraints on their initiative and freedom of movement.

Perhaps the use of force might prove much more effective in accelerating the rate of development of the consumer society than the alliances of dynamic elements referred to earlier, particularly if the doors were thrown open to foreign participation.

Such is the political and social cost of the consumer society around which peripheral capitalism has revolved, from its inception to the phase of exaltation it has reached in some places. Whether the consumer society is based mainly on the absorption of dynamic elements, the use of force, or a combination of both methods, no deliberate choice of models is made; it is simply the product of a complex of historical and political, geographical and circumstantial factors.

Neither the exacerbation of the distribution struggle through the advance of democratic power, nor the latter's containment or loss of ground, can solve

the basic problem of peripheral capitalism: that of increasing the rate of capital accumulation to counteract the insufficient rate of absorption of the labour

force. In other words, greater capital accumulation is needed to close the widening gap between the political and the economic processes.

3. *The democratization crisis*

This gap makes for a crisis in the democratization process even if the lowest strata remain passive. If they wake up and join in the distribution struggle, they give further impetus to this tendency and help to precipitate the crisis. Once again, however, I would stress the outstanding role played by the middle strata as technological penetration progresses. It is the gradual strengthening of their political and organizational power that incubates the crisis.

This explains the case of some countries —few in number to be sure— where even in the earliest days of industrialization the proportion of precapitalist and backward technological strata was not high, in contrast to the situation in most of Latin America. In these countries their flourishing primary exports had given a vigorous initial impulse to industrial development and to the absorption of the lower strata leading a hand-to-mouth existence. There, the distribution problem mainly affects the middle strata, who strive to increase their participation in the consumer society, since the favourable conditions for absorption have reduced the sub-consumer society to relatively small proportions.

In the interplay of power relations,

exacerbated by inflation, a vicious circle has been formed in which the distribution struggle weakens capital accumulation and accentuates the insufficiency of dynamism of the economy. This, in addition to the frustration that the struggle entails, provokes an increase in spurious absorption in the middle strata, with a further undermining of the capital accumulation process. All this is prejudicial to a faster rate of development than the basic conditions of the economy would have permitted.

It should be stressed here that the features of the distribution struggle which we have just been considering are the expression of advanced stages of development, when industrialization and the penetration of technology in general have given a strong impulse to the middle strata.

Therefore, such features are not present, although there may be hints of them, in those countries in which industrialization is in its infancy and a considerable proportion of the labour force is employed in agriculture. Their wretched social situation is unquestionably a major problem, but their organized labour power is negligible or nonexistent, and their political power is very slight, like that of the underprivileged masses in the cities.

4. *Emergence of new factors in the democratization process*

It should not be supposed, however, that such a state of affairs can continue indefinitely, either in these cases or in those others where development has left the lower strata far behind. For new factors are appearing on the social scene.

Outstanding among these are the mass communication media. Thanks to them, the awakening of the underprivileged masses is a development which to a greater or lesser extent is occurring everywhere. Their passivity or their resignation can no longer be relied upon as ballast for social stability.

Moreover, the alliance of dynamic elements or the use of force in support of the development of the consumer society cannot be lasting factors in a changing social structure where new and vital attitudes are emerging.

There are dynamic elements with a propensity to absorption, but there are also those which refuse to be absorbed, either on moral and humanitarian grounds, or because of their ideological beliefs or political aspirations.

The external situation is of great significance. There are some who have forgotten that the cycle is the natural form of capitalist development. Perhaps they thought the waves of prosperity would roll on for ever. But this is not the case. These waves flow towards the countries on the periphery and in one way or another stimulate their rate of development, but when they ebb, the

periphery suffers the consequences more than the centres.

Then it is that the dynamic elements which have repudiated absorption, or those which the consumer society has simply failed to absorb owing to the weakening of its dynamism, find the circumstances favourable for them to emerge and assert themselves, sometimes with impressive vigour.

Furthermore, no one can be certain that if force is applied it will continue to be used unconditionally in the service of the consumer society. Here, also, the consequences of structural change are seen, since the social origin of those who have to use force professionally has been sliding downwards, and although this is far from being a decisive factor, it nevertheless contributes to the formation of a new social awareness in the armed forces: an awareness which may assert itself when this or that set of external or internal circumstances reveals the flaws in the system. The direction may change, and the use of force may be directed upwards rather than downwards in the social structure.

This is a very delicate subject, but one that cannot be overlooked in a realistic study, even though such changes in attitudes are too complex to be covered by this simple and fleeting reference. This is also true of the change in the attitude of the Church, in which, in addition to the same structural shifts, hitherto unsuspected projections of its self-renovation can be glimpsed in all their breadth of scope.

5. *A brief elucidation*

On rereading these pages, I had some fear of misinterpretation, and I should therefore like to summarize the central idea contained in them, even at the risk of repeating myself.

In the free play of economic forces there is no principle which tends to regulate income distribution as the neo-classical economists had assumed. The fruits of the increase in productivity, which are appropriated largely by the higher income strata, are not spontaneously passed on to the remainder of society through a fall in prices or a rise in salaries and wages. Such rises are more apt to be partial and limited, and benefit mainly those with the social power to secure them. The distribution of the fruits of technological progress tends to be very slow in the context of the free play of economic forces. Hence the importance of the political and organizational power of the labour force as democratization advances.

It so happens, however, that in the evolution of peripheral capitalism—mainly because of the insufficient accumulation of capital—there is a widening gap between the advance of democratization and the progress of economic development, and this disparity inevitably causes the breakdown of the system, as the inflationary spiral grows.

Logically, there are only two ways of narrowing the gap: the transformation of the economic process to further the

advance of democracy, or the sacrifice of the latter in order to keep the economic process going and ensure the progressive development of the consumer society.

Advancing democratization demands a sharp rise in the rate of capital accumulation and a modification of the distribution system. This is needed in order to accelerate the absorption of the labour force with increasing productivity, and to ensure the steady narrowing of the income gap between the top and bottom brackets throughout the structure of society.

This, however, is incompatible with unrestrained imitation of the consumer patterns of the centres, based on the upper strata's appropriation and retention of a major share of the fruits of technological progress.

Peripheral capitalism is more inclined to sacrifice democratization in one way or another for the sake of defending and promoting the consumer society; and possibly to exalt that society, if this permits the concerting of new ways of linking up with the interests of the centres, which make for the continued exclusion of the sub-consumer society from development. I suspect, however, that this is not a lasting phenomenon in the development of the periphery. What is of concern to me here is the nature and rationale of a transformation which is perhaps inevitable.

Chapter VI

Centre-periphery relations

1. *Some preliminary reflections*

The relations between the centres and the periphery develop under the hegemony of the former. This hegemony is of very long standing, and although it has undergone great changes in the passage of time, it continues to satisfy a combination of economic, political and strategic interests which are of enormous influence in the development of the periphery.

In the course of these changes in capitalist development, the principal centre has shifted and other centres of hegemony and other systems of development have emerged. The latter are of little economic importance in the Latin American region of the periphery, but their ideological influence is considerable, and this is how the Latin American countries are drawn into the conflict of the centres: yet another example of the periphery's propensity to imitate and its lack of authenticity.

The capitalist hegemony, particularly in the case of the principal centre, finds expression in power relations in which the technological and economic superiority of the centres, backed up by their political power, exerts an influence on the periphery which is generally unshakeable.

Under the influence of this power, the centres link up with the periphery in a combination of interests with the latter's upper strata so that, in addition to their own power, which is in itself

considerable, they share to a varying extent in the economic and political power of these strata.

Of course, the relations between the centre and the periphery are not static. They are subject to the effects of trends in the centres and changes in the structure of the peripheral society.

Whatever the nature and intensity of these changes, the centres always seek to defend the aforesaid economic, political and strategic interests, which sometimes coincide and at other times conflict with the interests of the periphery.

The area in which they coincide is increasingly that of the consumer society, the conspicuous expression of the imitative capitalism of the periphery. Transnational enterprises exploit their innovations there in addition to pressing on with their long-standing exploitation of natural resources in their own interests. In fact, they exalt the consumer society, and those who benefit from its prosperity and sometimes even opulence end up persuading themselves that by now capitalist development in the image and likeness of the centres is irreversible in the periphery. This is a form of seduction which has very serious implications.

It does not matter that the centres are themselves going through a profound crisis in which their human values are at stake. The capitalism of the centres, like a mighty torrent, has overflowed its banks.

Nor is a moment's thought given to the incompatibility of the consumer society of the periphery with the social integration of the underprivileged masses and with equitable distribution of the fruits of development.

Moreover, the centres contribute to the tendency of peripheral capitalism to exclude the great mass of the population which is left on the sidelines of development, for in their relations with the periphery they have been unable to correct the contradictions by which its development is checked. They have done nothing of consequence to enable the industrialization of the periphery to play an active part in a new international division of labour which will help it to make up its historical leeway, nor to resolve the serious problems of primary exports; and the haphazard and stopgap financial co-operation provided is far from what is needed to meet the requirements of Latin American development.

The significance of the power of the centres is something quite different. They are not motivated by the idea of eliminating those contradictions; rather they are impelled by their consciousness of their technological and economic

superiority, the source of their ability to appropriate an excessive share of the peripheral surplus—to the generation of which, it is true, they make an undeniably effective contribution. All this is done with the political support of their governments.

Similarly, the free play of economic forces can hardly be expected to put an end to these contradictions. We have already seen that at the domestic level the interplay of such forces merely reflects power relations, and this is also true at the international level. The centres withdraw from this free play of forces when it suits their interests, as do the peripheral countries. But this does not prevent both the centres and the peripheral countries from continuing to sing the praises of the system's regulatory virtues.

If the peripheral consumer society takes a shortsighted view, so do the centres in their relations with it. Two centuries of belief in the virtues in question blind them to the truth that development is intelligent foresight, that it is the ability to influence—with a conscious and deliberate view to the attainment of great objectives—the forces than can make or mar it.

2. The lag in peripheral development and its consequences

The evolution of production technology and the distribution of its fruits gave rise to spontaneous concentration of industry in the centres. The industrialization of the periphery has not been a spontaneous phenomenon, however. It was a late starter, and this delay has

brought and continues to bring very serious consequences in its train.

Up to a while ago the idea was current that the dynamism of capitalism would lead to its spontaneous self-propagation in the periphery. Marx himself assumed that it would spread

throughout the world following up the prototypical experience in the United Kingdom.

This did not happen, however. Historically, capitalism penetrated spontaneously into the periphery only in order to supply itself with the primary products it needed. It showed no plain intention of promoting the periphery's integrated development, in which industrialization would be bound to play a leading role.

The industrialization impulse gathered strength in the periphery when the dynamic impetus of the centres was dramatically interrupted by successive crises (such as the two World Wars and the Great Depression).

The centres became involved in peripheral industrialization later on, particularly after the Second World War, being attracted largely by the incentive of industrial development for import substitution purposes, which was strongly supported by protectionist measures. This development was part of a deliberate effort to weather the crises, no matter how makeshift and inexperienced its manifestations may have been.

The concept of spontaneous industrialization was based not only on the supposed expansive force of capitalism, but also on the theory that the low wages in the periphery would of their own accord attract enterprises and capital from the industrial centres. Events have not confirmed this theory either. Only in a few cases does the assumed attraction of low wages offset the considerations which lead to concentration in the centres, although these low wages ranked as an important

factor in that outdated concept of the international division of labour which permitted the centres to obtain supplies of primary products from the periphery at low cost.

A closer look will show that these explanations do not cover the whole truth of the matter. The fact that the centres showed no spontaneous interest in the industrial development of the periphery does not explain why the periphery did not start industrialization on its own account, by its own deliberate decision. Why did it have to wait so long to begin the process? The answer must be sought in the structural formation of the periphery and in the way it has linked its interests with the centres. The higher strata in the periphery, who derived their income from primary exports, had no interest in industrialization. Indeed, they were opposed to it, since it would push up the prices of the goods so freely imported from abroad, and they were also afraid that it would have in adverse effect on commodity exports.

The theories of free trade and the international division of labour were deeply entrenched in the periphery. This is one proof, among many that could be given, of the coincidence of certain ideas with the dominant interests in power relations. These theories came, of course, from the centres themselves, where the immediate interests of the exporters of manufactures would also be damaged by the industrialization of the periphery, if market laws were so flagrantly violated.

The crises in the centres finally imposed industrialization on the periphery. Although during the two

World Wars there was no need for protection, owing to the very scarcity and rising prices of such manufactures as it was possible to import, there was need for it indeed when the crises ended. The peripheral countries' late arrival at the industrialization stage, their lack of technical capacity and know-how, and the narrow limits of their markets forced them to have recourse to protective measures, although these arguments do not justify the frequent application of such measures in excess.

Such was the policy of import substitution: a policy that was at first severely criticized, both at home and abroad. But what was really being criticized was industrialization itself. It was a long time before its necessity and inevitability were understood.

With respect to import substitution, subsidies would undoubtedly have been better than protection, mainly because they would have made industrialization more rational, since they would have provided incentive for both import substitution and industrial exports.

But rationality is not enough to win acceptance of a good idea. Although protection was opposed by the centres (and within the periphery itself), its adoption depended solely on the decision of the country concerned. In the case of subsidies, in contrast, the centres might have taken compensatory measures to protect themselves against the competition of the periphery, and this was, and still is, to say the least, a strong deterrent.

Moreover, no-one would have seriously believed that the successive crises in the centres would offer promising op-

portunities for industrial export from the periphery.

It is not our purpose here to make a historical study of industrialization—although this would be very interesting—but to present it in a perspective which will shed light on certain significant aspects of the process in the relations between the centres and the periphery.

Though there had been times when there seemed to be no definite possibilities of industrial products being imported from the periphery by the centres, this was certainly not true of the two decades which preceded the current world crisis. It is of interest to refer to these facts.

In the boom in world industrial trade during the last quarter of a century, the participation of the periphery has been very slight. As regards Latin America, which has a vital need to export industrial products at the present stage of its development, the minor role it has played is explained by the influence of a series of adverse factors:

- the industrial development of the centres;
- the reluctance of the transnational corporations to develop peripheral exports of their own accord;
- the protectionist policy prevailing in the centres;
- the indifference of the periphery, the errors committed there, and its lack, up to recent times, of an efficient promotion policy for industrial exports.

The boom in trade in manufactured goods was largely the result of the development of production technology in the centres, of their innovations, of

the constant diversification of their products. The periphery was not in a position to take part in this movement, because of its own retarded development.

This phenomenon is closely linked with the impressive development of the transnational corporations. As mentioned earlier, these enterprises —attracted by protection and the bright prospects it held out— have made every effort in recent decades to take a steadily increasing part in the industrialization of the periphery, and they have succeeded. Their reluctance to export, however, is well known. Their plants have taken advantage of the domestic market but have not sought export opportunities of their own accord. A definite policy of subsidies has been necessary to overcome their reluctance, and has done so only in part. Their interest lies in the exploitation of their continuous innovations on the domestic market rather than in competing with their parent firms on the international market.

Motivated as they are by the desire to introduce new and complex layers of technology which can take advantage of the growth of domestic demand, the transnational corporations are not interested, generally speaking, in those industries where the periphery has competitive ability, or could acquire it in a short time. Such industries, having deep national roots, could play a major role in exports, and in many cases are already doing so. But it is precisely in these areas of production that the centres usually take protectionist action to avoid competition from the periphery.

The techniques prevailing in industries like these are less complex

and more accessible to the periphery. As has so often been repeated, if the centres practised those principles of comparative cost which they have preached to us so assiduously, they would open the doors to such exports and thus increase the periphery's capacity to import, with manifest advantages for their own more advanced industries. Hence, the consumer society would become more rational for those benefiting from it in the periphery, although not necessarily for the community as a whole.

I should not like to say whether, once the current crisis in the centres is overcome, the policy of preferences which is being initiated will represent the beginning of a fundamental change in this vital matter.

Not all the responsibility lies with the centres, however; the Latin American countries must also bear a large share of it.

The encouraging results of the export policies of some countries show what has been lost by not having ventured in this direction long ago. Chronic overvaluation of currencies and needless impediments have done serious harm to the export trade. In particular, not enough determination and foresight has been shown, or is being shown even now, in the application of measures to stimulate reciprocal trade within the Latin American periphery: a policy which, by reducing costs, would also have encouraged industrial exports to the centres and the rest of the world.

It is common knowledge that primary exports also have to overcome obstacles in the centres which are sometimes considerable. But even if they

were to some extent removed, this would not solve the basic problem, which is to increase the periphery's capacity for payment sufficiently to meet its development needs. Herein lies the crucial importance of industrial exports.

This is the root of one of the most serious contradictions in centre-periphery relations. CEPAL has long drawn attention to the tendency of peripheral development towards an external bottleneck, which seems to vanish in phases of external prosperity, only to return —perhaps with greater intensity— in the unfavourable phases. As we know, in spite of import substitution policies, imports tend to grow more rapidly than exports as development proceeds, although their composition is different.

This disparity between exports and imports is structural in nature, and is basically due to the lag in industrialization. It is true that an underlying factor is the marked difference between the income-elasticity of demand for industrial goods, which are constantly being diversified, and that of demand for primary products in general and agricultural commodities in particular, in respect of which the scope for diversification is very limited.

However, if the industrial development of the periphery had been parallel to that of the centres, it would have been possible to meet, through its own diversification and industrial trade with the centres, the requirements in respect of manufactured goods which the high income-elasticity of demand for them would have entailed.

This is a phenomenon of timing which is by no means part of a natural order of things. It could be corrected, particularly if the efforts of the periphery were accompanied by co-operation from the centres. It should be borne in mind that the protectionist barriers which the latter set up to defend themselves —so to speak— against peripheral exports increases the disparity between exports and imports referred to above, whereas peripheral protection tends to smooth it out. The more the centres protect themselves, the more the periphery has to protect industrialization for import substitution purposes, notwithstanding its higher cost.

If I stress this old CEPAL thesis, it is because now and then and here and there reactions emerge which are inspired by a timeworn concept of the virtues of the free play of market forces.

3. *The terms of trade*

The great influence also exercised by the structural backwardness of the periphery on the terms of trade is a very controversial theme that deserves to be clarified once again.

It was shown in chapter II how insufficient dynamism in the economy makes for a persistent deterioration of the

income of the lower strata in relation to that of the higher strata, and particularly those groups among the latter whose power enables them to appropriate a major share in the fruits of technological progress.

It was also pointed out that when the relatively low income of the labour force

coincide with an abundant supply of natural resources, the deterioration in income relationships was reflected in a deterioration in producer price relations. This is particularly the case with tropical products.

The phenomenon is not confined, of course, to the context of domestic development, but also influences relations with the centres.

Now, an increase in productivity per unit of lands has consequences similar to those stemming from an abundant supply of land.

This is also an old CEPAL thesis. Attempts have been made to interpret it as an assertion that primary products have an inherent and irreversible tendency towards price deterioration, but it should be clearly understood that the deterioration occurs when the increase in production, owing to the combination of factors just explained, outstrips the growth of demand both at the domestic and at the international level. Of course, this happens only if there is no interference in the free play of economic forces through devices to restrict production or exports.

The cyclical fluctuations of international demand are wont to lead to certain misconceptions. A situation in which growing demand coincides with rising relative prices is all that is needed for it to be assumed that deterioration is at an end.

It really will end some day, when the insufficiency of dynamism in the peripheral economy is remedied and a lasting improvement in income relations between the lower and upper strata is achieved. In this, industrialization, with its capacity to absorb the labour

force, has an important role to play. This is another point in the CEPAL thesis. Similar effects would be produced by an increasing shortage of a natural resource, provided that they were not countered by technological progress.

Hence a further important conclusion can be drawn. It was stated a moment ago that a sufficiency of dynamism in the periphery's development would narrow the income gap. It is not enough to prevent the gap from widening. Demonstrating that income relations have not deteriorated does not mean that there is no problem. Development does not signify perpetuating defects, but correcting them. The same could be said of the terms of trade. Some price relationships have always been unfavourable, ever since the periphery was incorporated in the international economy. Industrialization would help to make them favourable, but only with the passage of time: possibly a very long time, if no shortages supervene. Meanwhile, only an enlightened policy on the part of the centres would shorten the path towards an objective so vital to the periphery.

But such a policy does not interest the centres. Far from it. While I was working with UNCTAD some years ago, I began to suspect more and more that the opposition to stabilization agreements on primary commodities did not stem only from reluctance to interfere with market laws; perhaps there was also the fear —not altogether groundless— that the success of such agreements would pave the way for later efforts to achieve a steady improvement in price relations between primary commodities and manufactured goods.

4. *The capitalistic expansion of the centres in the periphery*

A little thought will show that the concept of peripheral development through the spontaneous expansion of capitalism inflowing from the centres still survives.

The key to this concept lies in foreign private investment, and particularly that of the transnational corporations. I am convinced of the importance of these enterprises in the dynamics of development, but I am concerned about their ambivalent nature, about the negative and disrupting features which accompany their considerable development potential.

Those who believe that this form of participation of the centres in peripheral development is going to contribute fundamentally to the strengthening of capitalism in the periphery and to guarantee its steady and vigorous development are making a serious mistake.

What they are forgetting is that, quite apart from the negative aspects of the transnational corporations, the relations between the centres and the Latin American periphery continue to be hampered by the great contradictions and incongruities which seriously limit the social scope of capitalist development. No long-term policy has been formulated in the centres to counter these faults.

The main dynamic centre has never been anywhere near seeing matters in this light, even at the height of the ideological contest between the hegemonic powers. This contest has thrived in the broad and favourable field of Latin America: a further manifestation of the imitative propensity of the periphery. In this battle of ideologies, the main dynamic centre is joined by

others in trumpeting the virtues of its own system. These centres are seduced by the sometimes impressive development of the consumer society in the periphery, because they see therein a projection of their own image, as well as finding a copious source of profit. But they have not yet done anything serious and lasting to help the periphery to correct the contradictions referred to above; and even if something were done, it would redound primarily to the benefit of the peripheral consumer society, unless the Latin American countries decided to pursue their own economic and social transformation¹².

Foreign private investment and the financial facilities which usually accompany it undoubtedly afford some relief from the contradictions. But this relief is only temporary, since with the passage of time—and not much time at that—the profits and service payments which have to be remitted abroad, as well as other transfers, tend to exceed the inflow of new resources, thereby aggravating the external bottleneck and adversely affecting the rate of development.

If those profits and service payments were invested mainly in the periphery,

¹²The Declaration and Programme of Action on the Establishment of a New International Economic Order contained in resolutions 3201 (S-VI) and 3202 (S-VI) of the General Assembly of the United Nations could mark a turning-point, if translated into concrete measures and if at the same time the peripheral countries recognized their need for a new internal order to change their own order of things.

such ill-effects would be mitigated; but this could not be expected to continue indefinitely. Indeed, even in so far as it did occur, the disproportionate growth of foreign investment would create another very disturbing contradiction, to which we shall be referring later on.

But this is not all. There is another aspect of the problem which deserves much greater attention than it usually receives. There can be no doubt that foreign private capital, on suitable terms, could be an important factor in stepping up capital accumulation and the transfer of technology, just as the capital accumulation potential of loans from abroad also has to be recognized. But the consumer society of the periphery has its own peculiar features. Often these financial contributions simply make it possible — particularly for the upper strata — to avoid facing up to the inescapable necessity of accelerating the rate of accumulation by making better use of their own potential.

It is a well-known fact that the country which throws wide its doors to foreign private capital and openly encourages the consumer society finds ample possibilities of securing diverse forms of international co-operation. Powerful and efficient machinery is set in motion on its behalf, one of the motive forces being the prestige acquired abroad by the drive towards the consumer society; all this with the aid of prolific publicity which serves as a manifest incentive to other investments.

Foreign capital then frequently and easily extends its activities from the mere introduction of new forms of production and consumption to the

takeover of financial or other enterprises which play an important role in the country's economy. It is true that this brings with it an improvement in productivity, thanks to the introduction of new layers of technology and also to the premature renewal of physical capital whose useful life could be extended.

From the point of view of the profits and the increasing power thus gained by the transnational corporations, such activities are perfectly rational. But this is not the criterion of collective rationality in the light of which the periphery should approach the matter.

There is a further point. The transnational corporations have almost always been reluctant to allow national capital to participate in their business enterprises. It must be acknowledged, however, that if this had been tried, the results would have been rather limited, not only because of the unwillingness of the upper strata to make full use of their accumulation potential, but also owing to the lack of any efficient system of foreign financing for national entrepreneurs, in contrast with the facilities that transnational corporations enjoy, in their own countries for their investments in the periphery.

It would be incorrect, however, to assume that there are no thinking persons in the centres who take a very different view of peripheral development. There undoubtedly are. They are concerned about the growing social inequalities, and ask themselves, for example, if the relative stabilization or even improvement of commodity prices would not aggravate inequity, instead of alleviating it. And with the same basic concern in mind, they are apt to question

the policy of financial co-operation, however scant such co-operation may have been. When attitudes like these are not a mere pretext for shirking what ought to be done, they must be taken at their full value. And value they certainly have. It would be a great mistake to despise them.

It was noted earlier that inflows of financial resources from abroad often tended to exempt the upper strata of the periphery from any effort to use their accumulation potential more effectively than at present. To induce them to do so, it has been suggested on more than one occasion that international financial institutions should undertake to lend financial resources during the life of a plan, provided that a parallel guarantee to raise the rate of domestic capital accumulation is obtained from the peripheral countries seeking to obtain such loans. This proposal has come up against major obstacles, however. On the one hand, the institutions concerned are not inclined to commit their financing for several years, as a sound development plan requires. On the other hand, there are some in the periphery who feel that the guarantee requested would be a violation of the sovereignty of the country, even though they are not always so concerned at certain incursions of foreign capital by which it really is compromised.

As already noted, the technological and economic superiority of the transnational corporations and the actual or potential political support they receive from their home countries enable them to secure a disproportionate share of the surplus which —with unquestionable

efficiency— they help to generate in the periphery. The problem is a long-standing one, though new and important aspects of it have emerged. There has been a certain change in attitudes as regards the exploitation of natural resources, after a long and fluctuating struggle on the periphery's part. This can be seen from a comparison of the meagre proportion of the value of the natural product which formerly remained in the periphery with the increasing share now generally obtained. But the distribution of the surplus is not everything. Years ago in CEPAL we introduced the expression "enclave", to express the significance of the transnational corporations in the exploitation of natural resources. For these enterprises are like an over-large body lodged in the periphery but isolated from the rest of the economy, with economic and political implications of undoubted importance.

Today, in addition to the development of natural resources and the accompanying complex of activities, innovations are exploited. These innovations, and, of course, the transnational corporations which introduce them, play a dual role in development. On the one hand, they make an effective contribution to technological progress, which is of such great importance, particularly in those basic activities which would have to be kept up in any event, even if development were to acquire a pronounced social significance. On the other hand, they carry on activities primarily of interest to the consumer society, where they generally obtain substantial profits, through the constant introduction of their diversifying technologies. But

what is good for the consumer society is not necessarily good for development.

In either case, it is the transnational enterprises that introduce the most advanced technology, produce a bigger surplus, and exercise considerable magnetism over the dynamic elements of the peripheral society. Moreover, the innovations which they introduce are usually for their exclusive use during the term covered by the patents, licences or trademarks, so that they enjoy the privilege of restricting competition.

Those who confuse development with the consumer society forget this dual role of technological penetration. They do not object to the disproportionate costs of diversifying technologies or of the transfer of trademarks and licences, which are usually purchased less for their intrinsic importance than in order to ape certain forms of conspicuous consumption for the sake of their prestige.

To this must be added the acknowledged skill of the transnational enterprises in the use of the mass communication media: a skill which national enterprises are also learning. Both thus acquire that marked aptitude for manipulation which, for the neo-classicists, would appear to be compatible with the so-called sovereignty of the consumer.

All this is more the fault of the periphery, which opens its doors unconditionally to transnational corporations, than of those enterprises themselves. It is also imputable to the excessive protection which they enjoy

along with national enterprises, notwithstanding that they need it less or not at all.

There are also other very important sources of income which the transnational corporations may add to those on which they can properly draw by virtue of their technical efficiency. I refer both to the manipulation of prices between parent firms and subsidiaries, and to various ways of restricting or eliminating competition.

Let us now give some thought to the dilemma with which this confronts the periphery. If the aforesaid disproportionate participation in the surplus is translated into big financial transfers abroad, the tendency towards an external bottleneck is accentuated with the passage of time, while if those transfers are reinvested, the power of the transnational corporations increases, to the detriment of the host country's sense of national identity and autonomy in decision-making.

In this, as in the examination of other aspects of development, certain generalizations must be avoided. The appropriation of the fruits of technological penetration, as well as the restriction of the periphery's scope for decision-making, vary greatly in degrees of intensity from country to country, depending on each one's basic development conditions, on its bargaining capacity, and on the changing circumstances that influence centre-periphery relations.

5. The constellation of interests in the centres

The state of affairs just outlined occurs within a peculiar constellation of interests,

in which the international credit institutions have assumed great importance.

Even if its accumulation potential were efficiently used—which is not the case—the periphery would continue to need temporary assistance from these institutions and external capital in general in order to intensify its own accumulation process.

It should be stressed that some of the leading figures in such institutions have a sound concept of development and genuinely try to promote it. However, their work is inevitably done within the existing constellation. The institutional loan funds depend on the centres, their governments and their financial markets; and in all this the weight carried by the big enterprises is considerable. In actual fact, the latter constitute a relatively small group of highly influential bodies, linked in one way or another by bonds of interdependence and solidarity.

It is common knowledge that the power of the constellation of interests in question is considerable, but in the centres potent internal counterbalancing factors have also been emerging which limit and at times offset their influence. These counterbalancing elements do not exist in relations with the periphery. A few expressions of opinion by dissident intellectuals and sporadic criticisms in the political field and in publicity media are a far cry from what is needed to constitute a substantial counterweight, however heartening they may be for the non-conformists of the periphery.

In short when a peripheral country openly welcomes the transnational corporations, and at the same time shows—admittedly—imagination and efficiency in promoting the consumer society, the power constellation offers

its determined support, as well as its effusive admiration, for that society's prosperity.

This is even more markedly so when the centres are also influenced by political or strategic objectives. I mention both these concepts together, although political objectives are usually temporary or circumstantial, whereas the strategies of the centres are generally projected far into the future—except in economic affairs. In fact, under the aegis of the free play of economic forces it would appear that the conception of a strategy is essentially military and enters into the purview of staff officers of the armed forces alone. There is no strategy for development in centre-periphery relations.

It will now be understood that when foreign private capital makes its way into the structural formation of the periphery, it carries with it considerable external power which exceeds and bolsters the internal power it acquires on entry. It thus shares with the upper strata the economic and political power that these possess owing to the concentration of most of the means of production in their hands.

By sharing this power, foreign private capital also sways certain internal currents of opinion, thereby gaining a stronger influence over the State itself, in addition to that usually acquired by the transnational corporations through their marked ability to attract dynamic members of the peripheral society. The attitudes of these enterprises throughout coincide with or differ from those of national enterprises, according to circumstances and combinations of interests.

These differences may be substantial. If the ambit of the transnational enterprises in a peripheral country extends to embrace strategic points of the economy, the country is exposed to the danger that their influence may result in the taking of important decisions abroad—either by the States or by the parent firms—which frequently run counter to national interests.

These are well-known facts, and others are coming to light concerning certain transnational corporations which, overstepping the strict bounds of their business sphere, have fallen into very shady manoeuvres involving domestic politics. However rare such

instances may have been, they project their tarnished image on other enterprises, thereby helping to detract from the positive aspects of their ambivalent role and making it more difficult to find new formulas for their co-existence or co-participation with the State or private enterprise in the periphery.

But this is a matter for the future. It is much more difficult to deal with cases that have been dragging on for some time, in which the hegemony of the centres and certain outward symptoms of the weakness of the peripheral countries have led to situations of great political vulnerability.

6. *The crisis in centre-periphery relations*

In the previous chapter we attempted to explain the internal interplay of power relations stemming from the structural formation of the peripheral society and the continual changes it has undergone in the course of its development, limiting our brief analysis to the distributional aspects of those relations. But there is something more than this—something of great importance both from the domestic point of view and from that of the relations between the centre and the periphery.

When foreign capital shares economic and political power with the upper strata it also participates fully in the distribution struggle, and, as we have so often stressed, this struggle increases in intensity as the democratization process develops and grows in strength.

This political phenomenon has to

do with more than distribution alone. In the heart of peripheral society is emerging a full awareness of national identity and the need for autonomy in decision-making, as well as the highly understandable aspiration to do for itself what is at present being done by outsiders. These feelings mesh with the distribution struggle and the two are mutually reinforcing. Indubitably, the battle of ideologies is apt to exacerbate these tendencies, but it is not responsible for provoking them, since their roots are to be found in the changes in the structure of society.

At all events, this new consciousness and these new attitudes now developing—especially in that sector of the middle strata not directly drawn into the sphere of influence of foreign capital—constitute a latent force which quickly manifests

itself when circumstances are favourable to its eruption. One such circumstance is the distributional crisis discussed in the preceding chapter. Moreover, it sometimes happens that in the heat of the distribution struggle the solidarity between the interests of the upper strata and those of the transnational corporations is jeopardized.

Although this phenomenon has its own dynamics, the tendency towards the eruption of a crisis is intensified by unfavourable shifts in the external economic situation. The periphery is always exposed to the vicissitudes of the centres, and while their waves of prosperity relieve the tensions of peripheral development, the opposite trend increases them, particularly when the difficulties caused by the external bottleneck become more acute.

Irrespective of the external situation, however, the unrestrained advance of democratization may in propitious circumstances lead to the strengthening of attitudes hostile to foreign capital in general and to the transnational corporations in particular.

When this happens, the great disparities in centre-peripheral power relations become of crucial importance. It is then that the entire constellation of interests of the centres clustered around the transnational corporations is set in motion. This solidary movement finds expression in various kinds of punitive measures; external credit restrictions, trade barriers, and others of which, since they are so well known and widely practised, no reminder is needed here. What must be recalled, however, is the use of force as a means of exemplary punishment when certain

emotional reactions—even in the great powers— rashly abandon all self-restraint and unimpassioned visualization of a different future.

On more than one occasion a peripheral country has been forced to bow before such punitive measures and to give way farther than it should in negotiations which are always difficult owing to the imbalance of power. And when this happens, attitudes are often adopted that run counter to the deep feelings and aspirations which prompted the crisis in relations.

However, all this should be viewed in a broader perspective. Sometimes, extremist attitudes which entail immediate consequences detrimental to a peripheral country prepare the terrain, intrinsically difficult though it is, for subsequent realization of the aspirations of the periphery. I have reason to believe that if it had not been for the impact of the Mexican oil company expropriations of 1937 the transnational corporations would not have reached agreement with Venezuela on the fifty-fifty formula which paved the way for the increasing participation of the producer countries in oil income.

Undoubtedly, the world of today is very different from that of yesterday. Development cannot be understood outside the context of the changing currents of ideas and ideologies, of feelings and aspirations, which development brings with it and which act in turn on development itself. This holds good even for those countries in which the democratization process is contained, either through the absorption into the system of the dynamic elements in

political and organized labour movements and their incorporation into the consumer society, or through the use of force.

7. *Hegemony and dependence*

If "dependence" is thought to be a better name for these phenomena of hegemony as manifested in the new forms which the evolution of capitalism has brought in its train, I have no objection whatever. Dependence is an inherent characteristic of the periphery. This concept was introduced in the earliest writings of CEPAL, and subsequently enriched with the valuable contributions on the subject made by various economists and sociologists. These contributions provided a clear idea of the real significance of the economic and technological superiority of the centres and their power to extract income from the periphery in excess of what their enterprises contributed to the production process. They likewise challenged the outdated concept of the international division of labour which served as a pretext for rejecting the industrialization of the periphery. Moreover, it was CEPAL (later followed by UNCTAD) which first drew attention to the serious political consequences of certain forms of trade dependence. I am not referring only to those existing between the centre and the periphery, but also to certain overt or covert attempts to divide trade vertically into zones of influence. Unfortunately, the European Economic Community itself has not risen above this anachronistic concept.

Thus, under the aegis of hegemony,

the peripheral countries have been forced against their will to do or not to do certain things in the field of the economy and in that of international politics. Such is the inequality of their power relations with the centres. The *lex talionis* hardly applies in those relations, for the possibilities of retaliation by the periphery are really very limited and fleeting. That is what being on the periphery means; that is the meaning of dependence.

The concept of dependence, however, calls for study of the problem in depth, for an analysis of the underlying factors and the interplay of power relations. Moreover, this term usually covers other characteristic aspects of imitative capitalism. These are phenomena emanating from the centres, which neither subjugate the periphery economically or politically, nor force it to take or refrain from taking any given action in the interplay of power relations. This is a point that needs clarifying, in order to forestall unprofitable polemics.

For instance, much is said of technological dependence, implying that the periphery is forced to use the technology of the centres for want of its own. Let us now examine this concept. First and foremost, the transnational enterprises take pains to introduce advanced technologies, which are not

always compatible with conditions in the country concerned. As already pointed out, on the one hand there are technological advances which ought to be introduced, whatever the economic and social system, while on the other there are technologies which merely meet the growing requirements of the consumer society.

In the latter case, which is of considerable importance, the primordial factor is the very existence of the consumer society; and this is due less to the transnational corporations than to the inequitable income distribution resulting from the interplay of power relations.

These and other individually rational and collectively irrational lines of action, on the part of both entrepreneurs and consumers, have already been discussed elsewhere. If we recall them here, it is in order to stress the undesirability of trying to use a single term to cover phenomena of very diverse significance. And some among them are mainly the responsibility of the periphery itself: the responsibility of imitative capitalism.

There is also a good deal of talk about the need for the periphery to develop technology of its own. Of course, no one in his right mind would think of dispensing with the immeasurable advantage of being able to use technology which the centres have developed in centuries of tenacious effort. The problem is different: it is that of how to use the vast scientific and technological heritage of the centre to advantage by adapting this know-how to the factual conditions of the periphery, to widen the narrow sphere of technological

options, and to provide an impulse for our own innovative ability. In other words, to achieve authenticity by going a step farther than mere imitation and making a progressive creative effort. Something along these lines is being done in certain countries in our part of the periphery, but it is being done in watertight compartments, and the failure to take a view that is Latin American in scope leads to a waste of very considerable creative potential.

As regards cultural imitation, much could be said. But there is also a highly significant example of how it has been possible to advance beyond mere imitation to authenticity. I refer to literature. We received an immense cultural heritage from the West; but imitation has now given way to creative power.

Even so, this creative work sometimes rings with the echo of the ideological strife in the hegemonistic centres. To escape its influence is difficult, however great the risk of lapsing into proselytism, to the detriment of a genuine cultural contribution.

But it is in the sphere of development ideas and ideologies that the conflict is often heated. Intellectual dependence is very strong, and the centres' patterns of thinking are often adopted unconditionally, although they were originally worked out in a setting different from ours. The intellectual vigour, brilliance of reasoning and force of conviction displayed obviate the need to think for oneself, a proceeding which calls for much time and tenacity of purpose, as well as open-minded objectivity.

The imitation of ideas and ideologies usually makes headway in the periphery

just when in the centres whence they come, whatever the system in question may be, they are the target of searching criticism, although this is not always evident on the surface.

Strong as intellectual imitation is in the capitalist circles of the periphery,

the anti-capitalist circles do not appear to be proof against the temptation to imitate the centres, either. Here, too, there is need for an independent creative effort which, inspired by all there is to be assimilated from abroad, can help to unloose ties of permanent dependence.

Situation and prospects of the Latin American economy in 1975

*Enrique V. Iglesias**

After describing the economic recession which came to a head in 1975 and examining some overall indicators, this article analyses the most important underlying causes of the recession. Two interrelated causes are particularly worthy of note: firstly, the deterioration of the economic situation of the centres, and secondly, the sharper contradiction between the growing demand for imports required by the prevailing type of growth and the capacity to produce the foreign exchange necessary to pay for them and to cope with an increasing volume of financial services.

Lastly, some measures are suggested for dealing successfully with this critical situation, including (a) the establishment by the Latin American countries of a collective financial safety net to tackle their balance-of-payments problems; (b) the restructuring of the dynamic forces responsible for economic growth in the region, with emphasis on giving more of an impulse to the domestic market; (c) the strengthening and extension of forms of regional co-operation, and (d) determined joint action by the countries of Latin America at the international level. The article ends by reaffirming that Latin America's economic development problems are not only connected with achieving vigorous growth, but also with securing a more equitable distribution of its benefits.

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Introduction

In recent years there has been a series of interlinked international crises which are having a serious effect on the economic development of the peripheral countries in general and the Latin American countries in particular.

What is the significance of the changes we are witnessing? Are they merely of a transient nature, or are we moving towards much profounder structural changes in international economic trends? If this is so, then what role will the peripheral countries play and what policies should they adopt in order to fit in with the new situation and achieve the objectives pursued in their national development policies?

It is not simple to answer these questions, since the present time is full of uncertainties which make it very difficult to anticipate events or hazard hypotheses. Yet such is the challenging task that inspires the following remarks, which are based on the confident belief that Latin America has the vitality and capacity to take advantage of the opportunities which arise together with the risks.

1. The economic situation in 1975

At the time of writing, at the end of 1975, we have at hand the main figures which enable us to describe in broad terms the effects of the international economic situation on both Latin America and the central economies. I shall now give some basic figures so that we can draw some general conclusions from them.

The initial estimates give the following picture of Latin America as a whole:

- The rate of growth has gone down sharply, from 7 per cent in 1973 and 7.2 per cent in 1974 to 3.3 per cent in 1975, according to the most reliable estimates.
- Exports of goods, expressed in dollars at current prices, went down by 6 per cent after having increased in the previous two years at an average rate of over 50 per cent. This slump in the growth of such exports—particularly noticeable in the non-oil-exporting countries—is to be attributed to a reduction of 7 per cent in the volume exported: this ended the firm growth trend of recent years and was only partly compensated by a modest increase of 1 per cent in the value of exports, which was in any case far below the rate of world inflation.
- Imports of goods grew by only 6 per cent as against the increase of 40 per cent in the two preceding years. This figure reflects a drop of 7 per cent in the physical volume of imports (for the non-oil-exporting countries the drop was 9 per cent). In contrast, the values of imports rose by 14 per cent, which shows how serious are the effects of world inflation on the economies of the region.
- The terms of trade deteriorated by 11 per cent, which is serious when it is remembered that this indicator had already gone down by 10 per cent in each of the preceding two years for the non-oil-exporting countries as a whole.
- The purchasing power of exports dropped by 17 per cent in 1975 with respect to the preceding year as a result of the combined effect of the unfavourable terms of trade and the drop in the volume of exports.
- The trade balance of the 19 non-oil-exporting countries will show a deficit of 10.3 billion dollars as against 9.2 billion in the previous year. If we add to these figures the deficits in respect of net payments of profits and interest, then the total current account deficit will be 15.2 billion dollars as against 13 billion in 1974. The oil-exporting countries of the region, for their part, will have a current account surplus in 1975 of only about 2.8 billion dollars, which is far below the 6.4 billion dollars recorded in 1974.
- The balance of payments of the non-oil-exporting countries will show a deficit of close to 2.5 billion dollars, since the compensatory and non-compensatory capital flows will be insufficient to finance the current account deficit. All this will obviously have the effect of reducing the net reserves of these countries.

We do not yet have any figures on the behaviour of other internal variables of the regional economy, but we do know that these figures vary significantly from one country to another, not only between the oil-exporting countries and non-oil-exporting countries, but also among the latter, since their particular foreign trade structures create different capacities for facing the effects of the world situation.

In any event, for the great majority of the countries the above figures do

reflect the upheaval caused by the international economic situation and its inevitable impact on the rate and structure of domestic growth.

The forecasts for the coming year are varied, and once again reflect the great diversity of specific cases.

There are those who feel that the situation will become even more difficult because of the slow reaction of the centres to the measures designed to promote the economy, and the scanty reaction of prices and markets to the signs of recovery shown by some industrial economies. Furthermore, indebtedness has increased and the conditions on financial markets have become more difficult, particularly for countries without experience in tapping resources from such markets.

Others, in contrast, consider that the most difficult time is over and that the recovery of the centres will rapidly spread to world trade as a whole.

Whatever the hypothesis accepted, the situation will continue to be difficult, so that knowledge of the international economic situation and its projections for the central economies is of particular importance to our region.

There are some significant indicators for the industrialized countries which enable a general picture to be drawn:

- The rate of growth of the member countries of the Organization for Economic Co-operation and Development (OECD) will be slightly over 1 per cent according to calculations made by the technical secretariat of the Organization, since the recovery noted in the second half of 1975 will compensate for the contraction observed in the first part of the year. It should be recalled that these countries had a zero growth rate in 1974, and that the average annual rate recorded in the last ten years was 5.5 per cent.
- The timing of the recovery in the various industrialized countries differs considerably. The United States, Japan, and probably Canada are the countries which are now showing the biggest degree of economic recovery. Germany and France are in an intermediate position, while Italy and the United Kingdom will probably only overcome their negative growth rates from 1976 onwards. Even in the countries of the first group, however, there have been some contradictory signs in recent months as regards the steadiness and durability of the recovery, and this has given rise to certain doubts about the future course of the recovery process, especially in the case of the United States economy.
- Industrial production at the beginning of 1975 was 20 per cent below that recorded one year earlier, and it only began to recover quite sluggishly after the accumulated stocks of manufactures had been used up.
- Unemployment continued to be marked, and in many cases the rates of unemployment were the highest for the last 20 years. According to I.L.O., in September 1975 there were 17.1 million unemployed in the industrialized economies, and it is estimated that the figure might rise to 18.5 million by the end of the year.
- The levels of domestic prices may be assessed from different standpoints.

On the one hand, the stabilization policies and the effects of the economic recession itself checked the rate of growth of domestic inflation and the rate for the OECD countries dropped to around 10 per cent as against the average of 13 per cent recorded in 1974. On the other hand, however, the new basic or minimum level of inflation, which appears to be situated around 8 or 9 per cent, is nevertheless twice that considered acceptable at the beginning of the decade and is subject to many tensions which still make it unstable and capable of rising rapidly in response to the reactivating surges of domestic policies.

■ In the external sector the economies of the OECD countries showed a current account deficit of close to 20 billion dollars, a figure considerably lower than that of the year before and also below the pessimistic forecasts of the beginning of the year. On the other hand, however, it contrasts with the surpluses of 10 to 15 billion dollars recorded at the beginning of the decade. Even so, it is noteworthy how the central economies have found it relatively easy to finance their current account deficits, which created so much concern when the rise in oil prices was first announced.

This situation has had secondary effects which are worth noting, however.

Table 1
LATIN AMERICA:^a RECENT EVOLUTION OF THE PRODUCT AND
THE EXTERNAL SECTOR
(Percentage variation)

	1973	1974	1975
1. Gross domestic product (at constant prices)	7.2 ^b	7.0 ^b	3.3 ^c
2. Exports of goods (value in millions of dollars at current prices)	44	68	-6
3. Unit value of exports	35	65	1
4. Volume of exports	7	2	-7
5. Imports of goods (value in millions of dollars at current prices)	31	71	6
6. Unit value of imports	18	40	14
7. Volume of imports	11	23	-7
8. Terms of trade	14	18	-11
9. Purchasing power of exports	22	21	-17

Source: CEPAL, on the basis of official statistics.

^a23 countries.

^b19 countries.

^cPreliminary estimate on the basis of data for 13 countries.

On the one hand, the central economies are absorbing external resources on the international capital markets, so that their needs and demand have come to compete with those of the non-oil-exporting developing countries. Almost simultaneously, they have restricted their transfers of public capital to the developing world and in particular to those who form the middle class in that world, i.e., the Latin Americans. As a result of these external restrictions the industrial economies have had to

be much more cautious in their own domestic reactivation policies.

In broad lines, such is the present picture of the central and Latin American economies. Now let us see what reflections are called for by this evolution on the international situation if we consider it in the light of the figures for 1975 but look a little further and place the phenomena within the framework of the trends which have clearly been developing in recent years at the international level.

Table 2
LATIN AMERICA:^a BALANCE OF PAYMENTS TRENDS
(Millions of dollars at current prices)

	1973	1974	1975 ^b
1. Trade balance	1 250	2 100	-4 000
2. Balance on current account	-3 765	-6 610	-12 470
3. Final balance of payments position	3 690	3 840	-390

Source: CEPAL, on the basis of official statistics.

^a23 countries.

^bPreliminary estimates.

2. Looking beyond the immediate situation: the end of an epoch

The various signs which have characterized 1975 —almost all of them negative— signify something deeper and more serious than the cyclical pauses or setbacks which have affected the world and Latin American economies more than once since the war.

This realistic evaluation makes it necessary to explore the roots, principal manifestations and prospects of the situation facing Latin America, both at the world and the regional level.

I should like first of all to take up the international dimension or more

specifically, the industrialized market economies which form the centre of the capitalist economic system.

Recent events have brought out once more the decisive or dominant influence of what takes place in this nucleus of countries, and have confirmed the dependent nature of the evolution of the periphery. The obvious exception of the oil market, which in any case is a very new development, does not alter in any way this rule of operation of the world system.

The central nations therefore bear the outstanding and unavoidable responsibility in the contemporary processes. This is a simple fact: it is not an accusation or an excuse, and still less is it any kind of renunciation of our responsibility to take decisions and carry out tasks ourselves. But the world we live in was organized in this way by separate and successive ruling powers, not in their own image and semblance but in accordance with their own convenience. We are very far from thinking that all the great problems of the periphery derive from this circumstance, and still less do we believe, as has sometimes been suggested, that the underdevelopment of some countries—the majority—has been at once the cause and the principal effect of the progress of the fortunate few. Anyone who studies the industrial revolution can question this exaggeration. Even so, after all the reservations and due consideration of the matter, the situation of subordination and the unequal relations between the centre and the periphery remain an evident truth.

On the other hand, it must be frankly admitted that anxieties and doubts

about the solidity and durability of the system which is now in crisis have been coming to the fore for some time past in the more enlightened circles of the industrialized centres. The contradictions of the opulent society; the precariousness of dynamic growth based to a large extent on the excesses and waste of the drive to consume; denunciation of the myth of mere growth for its own sake, the increasing anxiety about the degradation of the environment and the spoliation of natural resources and common assets, and the emphasis on the “quality of life”, show that the exceptional economic boom of the preceding period did not eliminate the capacity for critical reflexion.

It is scarcely necessary to stress the importance of this, especially in the evaluation of future prospects and actions. Consequently, in contrast with other past situations, there are very few today who yearn for or support the return or reconstruction of the world of yesterday.

If all this is evident and significant for the nations which occupy a privileged position, then how much more so is it for the periphery. The present crisis has dispelled the illusion that the relatively favourable trends which prevailed until a short time ago in the world economy were deeply rooted and promised steady, uninterrupted expansion. Critical reflexion and preparation for the world of tomorrow are therefore more imperative than ever.

It would be vain to try to make an exhaustive examination of the elements which have shaped the present situation of the industrialized economies and, as

a result, the trends and features of the world panorama. As we have pointed out, there is a clear crisis of diagnoses and remedial measures. Most economists admit that we are in a post-Keynesian situation, but we are still very far from understanding fully the fundamental lines of the new situation, and even further from suitable policies to deal with it.

What seems beyond doubt and must be taken as the starting point for any analysis is that we are faced with a crisis of a new type which cannot be interpreted or solved by taking as our guide the examples and practices of the past.

Naturally, many current symptoms and factors are also common to other equally serious contingencies: economic recession, unemployment, acute disequilibria in the balance of payments, con-

traction of international trade, excessive inflationary or deflationary swings, etc. These are familiar ingredients in the history of these situations of change.

The theoretical analyses, regardless of whether they come from liberal, marxist, classical, neo-classical or heterodox sources, provide us with many useful and fertile approaches and categories, but in various ways and to various extents even their most flexible and objective approaches show a certain inability to capture the substance of the new situation which is arising and to define appropriate action.

Rather than proposing other hypotheses or drawing attention to those which seem most valid, we are interested above all here in bringing out those aspects of the emerging picture which most affect the countries of the periphery and in particular those of Latin America.

The dynamism of the centres

First of all, we should bring out those aspects which affect the rate and type of growth of the central economies.

Here, the combination of the stagnation of productive activity with persistent inflation — the familiar and so often discussed “stagflation” — undoubtedly constitutes the most outstanding factor. This unusual mixture of circumstances has a dual impact with extremely serious repercussions for the developing world.

On the one hand, the developing countries must suffer the effects of this loss of dynamism on international trade and, more specifically, on the volume, value and composition of their

own exports. It is reasonable to assume, for example, that the developing countries will have greater difficulty and fewer opportunities for pursuing the process of diversification of their exports which has been undertaken with such promising results in recent years.

On the other hand, the developing countries suffer from the effects of inflation in the industrialized economies through the continuously rising prices of the imported equipment and inputs which are vitally needed for fuelling their development.

While the first element reduces their purchasing capacity abroad, the second increases the magnitude of the payments

they must make and consequently increases their financing problems. The figures presented in this connexion clearly

show the consequences of this phenomenon for Latin America's external economic relations.

Uncertainty about the future

From another point of view, there is great anxiety as a result of the generalized uncertainty about the prospects for the near future and the way and degree in which the progress of the developing countries will be affected. There are certain contradictory aspects here which have to be borne in mind.

On one hand, despite the difficulties raised by the increase in the price of oil and its very considerable effects — which initially gave rise to alarming forecasts — the truth is that the central economies have nevertheless managed to avoid sliding towards a state of crisis like that of the 1930s. Despite the high levels of unemployment and economic stagnation, and the reduction or reversal of growth rates, it has been possible to keep a certain essential grip on events. Indeed, it should be noted that it has even been possible to keep the deficits stemming from the increased oil costs at a manageable level,

mainly by absorption of the surpluses of the oil-producing countries.

This reality, however, goes hand in hand with another to which we already referred: i.e., not even the most optimistic forecasts assume that there will be a return to the rates and types of growth of the industrialized countries which were recorded in the decade ending in 1973-1974.

As regards the possible rates of expansion, there are various factors which appear to contribute to keep them low.

One of these is the stubborn persistence of inflationary pressures which threaten or tend to frustrate the efforts made to reactivate the production systems. In addition, there is a fear in some countries that greater reactivation might bring with it a deterioration in the already precarious balance-of-payments situation.

Our position as a "competing middle class"

Another aspect of the emerging panorama which has a considerable effect on the periphery in general and our region in particular is the resurgence of protectionist tendencies in the industrialized countries and the new attitude to Latin America's position in the international community.

Although the international markets are more open to the industrial exports of developing countries, the signs of recession displayed by the central economies are cause for concern.

The internal and external crises of these economies have led to the closing of markets for certain commodities

(meat is a conspicuous example) and have given rise to barriers to exports of non-traditional industrial products. Once again there is jealousy over competition or internal pressures endangering the achievements — which we believed had been firmly established — in the field of international co-operation for which we had worked so long.

A point which has even greater implications for the future is the growing tendency to consider Latin America as the “middle class” of the international community.

In a world which is going through a difficult economic situation, the machinery for the transfer of resources diminishes in its scope and is oriented preferentially towards the countries of least relative economic development, thus ruling out almost completely the countries of Latin America. This is not to criticize the measure as such, but in the absence of corresponding measures to take care of countries like ours which are in an intermediate stage of development. Latin America must fall back on its own

capacity for tapping resources on international financial markets rather than on sporadic grants and transfers.

There are other elements, however, which are just as important as those referred to, such as the levels of unemployment which seem to be coming close to the maximum acceptable social and political limits or even to have exceeded them, according to the data in the recent I.L.O report mentioned above.

It will be readily understood that this state of affairs not only affects domestic political relationships, but also has obvious international implications. Greater energy and more concerted measures in reactivation policies would therefore be desirable and the most recent meetings of the highest authorities of the central countries are witness to this. However, the majority of forecasts foresee only a modest recovery in the coming years, and there are many who add that this recovery will not be of a stable nature and will be marked by continuous bouts of inflation.

The quality of growth of the central countries

Other important queries for the countries on the periphery stem from criticisms of the development model of the industrialized economies or concern the stages which are discernible in their future.

The increasingly widespread criticisms of what has been called the myth of development at any price may reduce the global dynamism of the system. The emphasis being placed on the quality of life, defence of the environment, protection of natural resources and

common assets, greater equity in the distribution of well-being and other objectives which are beginning to form the new development ideology of the present time can and must involve significant changes in the patterns of demand and assignment of resources.

The course of this process is still uncertain, and its repercussions on the periphery are even more so. We should nevertheless think deeply about it and strive to adapt ourselves flexibly and

imaginatively to the new structures and arrangements which a new pattern of international division of labour will tend to establish for some countries.

2. *The Latin American panorama*

The new Latin America

Latin America is in a position to meet the challenge represented by this change in international conditions. The fact is that the existence of urgent social problems and the flood of critical comment on various serious weaknesses in the development of the region have sometimes caused us to overlook the great positive changes which have taken place in the period we are now leaving behind us.

Thus, even if we accept all the legitimate reservations and criticisms made, there is nevertheless an impressive positive balance as regards the changes which have taken place in the dimensions and structure of the Latin American economy. As was pointed out in a recent CEPAL publication¹, in 1950 the total product of the region (in 1970 dollars) amounted to some 60 billion dollars. In 1974 it had increased to 220 billion dollars, i.e., almost four times the size of the regional economy in 1950. If the recent rate of Latin American development is maintained for the next decade, the region's productive system will grow to twice its present size and about seven and a half times its size in 1950, i.e., about as big as the economy of the European Economic Community in 1960.

¹*Latin America: the new regional and world setting*, Cuadernos de la CEPAL series, No 1, Santiago, Chile, 1975.

According to the same source, in 1950, the manufacturing product was around 11 billion dollars, but in 1974 it was almost five times greater, and its share in the total product rose from 18 per cent to 24 per cent between those years. Finally, in 1950, industrial exports represented 6 per cent of total exports and were limited to a few specialized products, while in 1974 they accounted for 18 per cent of foreign exchange income and covered a wide range of manufactures.

Of course, this overall view takes no account of some very appreciable national differences. Although the bigger countries account for the lion's share, except in a very few cases the winds of change have been felt throughout the region.

Moreover, this overall conception of Latin America — of this *other* Latin America — corresponds to a reality and a necessity.

It corresponds to a reality, because despite all the disappointments, doubts and limitations encountered in the process of regional integration, the political, institutional, cultural and economic conditions have unquestionably evolved towards a greater degree of association and not towards greater dispersion than existed 25 years ago. And this has been so in spite of the fact that the differences between countries and groups of countries have become

more accentuated. The great diversity or plurality has thus not been an obstacle to this great historic progress.

It also corresponds to a necessity, because in this world of superpowers

and powerful regional conglomerates, the new dimensions, structure and links which characterize our region are an essential condition for increasing its bargaining power and strengthening and expanding its development potential.

The impulses and pressures affecting Latin American development

Before assembling some ideas on the challenges posed by the present international situation and prospects, it is worth identifying the influences or forces which are behind those changes, in order subsequently to set about an analysis of the adjustments or changes which appear to be called for by the panorama which is opening up before our eyes.

In the past, the dynamics of Latin American development have depended fundamentally on a set of impulses and pressures whose main components have been domestic demand, foreign trade and the regional market. As a background to all this, there have been the changes in the level and distribution of income: an aspect to which I shall refer later.

The elements in question have operated and combined in very different ways in the course of a process whose various stages can be classified in accordance with some well-known categories identified in the "CEPAL philosophy".

Little reference need be made to the phase which we may call "outward-looking growth", which extends for most of Latin America up to the great crisis and in which the external demand for primary commodities constitutes the main (and often the only) factor of dynamism.

Various phases may be distinguished in the period which began with this point. Following the still-valid criteria of an CEPAL study made ten years ago², these phases are as follows:

The first phase, which extended up to the early post-war years, was one of absolute foreign trade restrictions which exerted pressure (particularly in the countries of greatest relative diversification and sufficient size of market) towards industrialization. Such industrialization assumed a directly substitutive nature as a result of the pre-existing demand and the social composition of the economy.

The second phase, which was one of relative restrictions, extended from the end of the 1940s up to the middle of the 1950s. In the course of it, the external circumstances improved and were combined with the continuation and diversification of the efforts to industrialize in much of the region. The end of the Korean war put an abrupt stop to this phase, although it carried on a little longer in some countries such as Brazil.

²CEPAL, "The growth and decline of import substitution in Brazil", *Economic Bulletin for Latin America*, Santiago, Chile, Vol. IX, N° 1, March 1964, pages 1-62.

The third phase lasted up to approximately the beginning of the second half of the 1960s. In this phase, the relative restriction of the external sector got worse and the problems of the balance of payments and of indebtedness became more serious. At the same time, the internal impulse for industrialization diminished, partly because of the limitations on the capacity to import, but mainly because of the obstacles encountered in the advance towards new fields of manufacturing, where market size became a decisive element. Only Brazil, and to a lesser extent Argentina and Mexico, succeeded in crossing this frontier and keeping up the dynamism in industrialization. In other words, in this phase the dominant themes are stagnation and balance-of-payments fluctuations. It is important to note, however, that this phase saw the crystallization of the first regional integration projects, which were due largely to the search for other elements which could impel development and which in some areas, such as Central America, represented a decisive step towards initiating the industrial transformation process.

The fourth and last phase coincides almost exactly with the last ten years, culminating in the years 1973-1974 and running into crisis between 1974 and 1975. This, as we have termed it in CEPAL, is the period of "internationalization" of the Latin American economy and in particular of the economies of the countries of greatest relative development of the region.

Thus, it is mainly exogenous elements which have impelled and guided the growing development. This has

been due to a combination of a vigorous demand for primary commodities; a marked improvement in the terms of trade between 1971 and 1973; the increasing and dominant participation of transnational enterprises, especially in sectors involving greater diversification of the industrial spectrum; the circulation of big financial flows which have taken various forms; and finally participation in increased exports of manufactures, which have come to play an important role in the expansion of some activities.

On the other hand, of course, the impulses coming from the domestic market and regional demand also increased, although at a slower rate. It should be borne in mind that Latin America absorbed almost one-third (32.8 per cent) of its own exports of industrial products in 1970-1974, and the value of these exports rose from some 850 million dollars in 1970 to almost 2.3 billion dollars in the latter year.

If we take account only of the external factors, then it could well be maintained that the phase which is now coming to an end was equivalent to a new and more complex version of the "outward-looking growth", although it would be truer to say that it was both towards the exterior and from the exterior. If we consider the other elements, however, we see that this characteristic was combined with "inward-looking" impulses not only in the individual economies, but also in the regional sphere. We are therefore dealing with a broader and many-faceted form in which the relative weight of the various dynamic elements identified has been considerably changed.

The relations between industrialization and foreign trade

Before examining some primary causes of the crisis of this model I think it would be useful to review this experience in the light of the various CEPAL approaches which have given rise to much discussion and some misunderstandings, and particularly the relations between industrialization (or, if it is preferred, substitution industrialization) and foreign trade.

The above review of the outstanding phases of Latin American development enables us to see that the greater or lesser openness of the process of industrial diversification depends to a very large extent on the circumstances created by the international economy and, more specifically, by the central countries. This does not mean that we are overlooking the significant advances made in the handling of short-term policies, the administration of relative prices and especially exchange rates, the promotion of exports, and the enterprising spirit of a small sector of national businessmen, or overlooking the role played in this opening of the industrialization process by the transnational enterprises. One way or another, however, it is the behaviour of the international economy which has facilitated and sometimes even made possible the crystallization and consolidation of all these efforts. Substitution industrialization, even in its "closed" phases, constituted a necessary and vital precondition for the subsequent opening.

There can be no doubt that at the beginning of the process not enough consideration was given to the opportu-

nities for exporting manufactures in the future, nor was this element given its proper value in the assignment of resources or the selection of activities. Several critics have gone into this matter at length and have concluded that the promoters of substitution industrialization had autarkic leanings.

This is not so, however. The truth is that these concerns were outside the historical and objective framework within which the problem was posed, what was really in question at the time being the very purpose of industrialization.

From this point of view, it seems strange or paradoxical that these criticisms sometimes came precisely from those who had little faith in the viability or desirability of this central purpose or else were actually opposed to it.

Thus, if some were guilty of pessimism or of underestimating the need for opening up industrialization efforts to the exterior, there can be no doubt that others were guilty of scepticism about the very need for industrialization.

As the United States economist Stefan H. Robock noted some little time ago, often a false dichotomy is created between industrialization through import substitution and industrialization through export industries³. In reality,

³Stefan H. Robock, "Una dicotomía falsa: industrialización a través de la sustitución de importaciones o mediante industrias de exportación", *El trimestre económico*, Vol. XXXIX (3), N° 155, Mexico City, July-September 1973.

however, the industrialization process is not divided up in this way: substitution industrialization can and must be integrated into the process of opening up to the exterior, and this is what has been taking place recently in Latin America.

In reality, despite its setbacks and even distortions, the regional experience corresponds closely to that of countries which became industrialized at a late date: those which achieved this when the centre-periphery system based on the classic nineteenth century scheme of the international division of labour had already emerged. Robock had the following to say about the industrial experience of a certain country:

“For example, this country first of all imported manufactured goods

from more highly developed countries, then began to produce its own substitutes, and finally built itself up into an exporter of the same products. To begin with, the exports... of manufactured products tended to go to less developed countries... but later it became able to export to industrially more advanced countries in proportion as its labour force gained skills through experience, the quality of its products improved, and the commercial skill of its businessmen became more sophisticated”⁴.

Stefan Robock was not referring to any of the most industrialized Latin American economies, however, but to the case of Japan.

The present style of development at the crossroads

What we must discuss now are the apparent primary causes of this crisis.

Only a brief and tentative approximation in this respect is possible for the time being.

To start with, there is no need to reiterate that the decisive element in this state of affairs has been the abrupt change in the external situation; but attention should be paid, however, to a less obvious aspect connected with one facet of the “growth structure” in the recent period: i.e., the relationship between overall development and the external sector.

With regard to this matter of cardinal importance, a CEPAL study stated that “up to 1965, the average growth of imports was 0.4 times that of the product”; i.e., if the annual growth of

the product was 6 per cent, the corresponding increase in imports was 2.4 per cent. From 1965 up to 1973, however, “the ratio between the two types of growth rose to an average of 1.3”; so that the same annual rate of increase of 6 per cent in the product now gave an increase of 7.8 per cent in imports⁵.

Going more deeply into the same point, the study indicates a further factor which aggravates the situation: the coefficient of elasticity of total

⁴See Stefan H. Robock, *op. cit.*, pp. 524 and 525.

⁵See CEPAL, *Integración económica y sustitución de importaciones en América Latina*, by Juan Ayza, Gérard Fichet and Norberto González, Fondo de Cultura Económica, Mexico City, 1975, p. 52.

imports with respect to the product increases in relation to the growth rate. This means that not only is the coefficient of elasticity greater than unity and therefore imports tend to grow more rapidly than the product, but this situation gets worse in proportion as the growth rate increases, since the coefficient of elasticity itself also increases⁶.

As we can see, then, the last phase of Latin American development was marked by a contradiction which was either latent or else exerted great influence in the evolution of recent decades and has been a standing concern of CEPAL, namely, the more or less pronounced imbalance between the demand for imports generated by and characteristic of the structure of a particular type of growth and the capacity of that same structure to generate sufficient foreign exchange to pay for imports of goods and the rapidly increasing financial services of various types.

Looking at this problem from another angle, it could be suggested that the opening towards the exterior or the "internationalization" of the Latin American economy went beyond the limits permitted by its place in the international division of labour, despite the obvious progress made in such significant aspects as the export of manufactures.

Of course it is also legitimate to argue that it is not this process of opening which has made our economies more vulnerable, but rather the drastic changes which have taken place in the international situation.

In view of the difficulty of giving a decisive judgment on the matter it can only be said that the existence of both these circumstances makes it necessary to give more attention in future to the vulnerability of development schemes to the structure of their external relationships.

3.

Future Tasks and Prospects

The prospects for the immediate future, both at the world and regional levels, suggest that Latin America will have to act on various fronts simultaneously:

- Coping pragmatically with the period of transition;
- Setting about the rearrangement of the forces which have kept up the

process of economic growth in recent years;

- Exploring and developing new potential forces through renewed machinery for co-operation between the countries of the area;
- Acting with unity and initiative in the shaping of the new international economic order.

⁶ *Ibid.*, chapter II.

1. *The period of transition*

This rearrangement is faced with an obstacle created by the difficulties of the present period of transition, arising from the balance-of-payments disequilibria of the vast majority of the countries of the region.

It could not reasonably be hoped that the adverse effects of an economic recession as acute as that which is affecting the central countries could fail to have palpable effects on the rate of growth of Latin America. The fundamental problem, as always, is that of relative levels. We must try to determine how far it is possible to minimize these effects so as to keep their influence on the rate of employment and domestic activity within politically and socially acceptable levels.

The recent economic experience of the non-oil-exporting countries has clearly shown that all governments have been obliged to face up to the need to make serious internal adjustments in their economies in order to absorb the impact of the international situation, and in particular the impact of the high oil prices, international inflation and changes in external trade.

The various individual countries face similar problems but are in very different situations as regards dealing with them, either because of the different structures of their foreign trade, their particular endowments of natural resources, or the range of economic policy instruments which they have at their disposal.

Generally speaking, however, they all must make choices, which are not always compatible, between a high rate of growth of the product, an acceptable

trade deficit, an economically and politically acceptable level of indebtedness, and a low rate of inflation. The selection of certain objectives naturally clashes with other objectives. It is possible to maintain a high rate of growth of the product by sacrificing objectives in the field of prices, but this will undoubtedly clash with objectives related to the trade deficit and external indebtedness, and so forth.

There are no universal solutions. The countries will have to continue operating within the margins of pragmatic choices. In order to do this, they can now draw on much richer and more flexible experience in the handling of economic policy instruments such as exchange rates, tax and tariff machinery, monetary policies, and possibilities of access to international financial markets.

This has made it possible to surmount the serious difficulties of 1975 at a cost much lower than that at first estimated. The same thing will have to be done in the next few months, while waiting for the recovery of the markets or the reaction of the various elements of the international machinery, which, it may be noted in passing, have shown themselves to be equally dynamic and imaginative.

Conscious of the acute balance-of-payments problem which faces all the countries alike, the CEPAL secretariat suggested at the sixteenth session of the Commission⁷ the possibility that the region might try its own formula of collective financial security with the

⁷Port of Spain, 6 to 14 May 1975.

backing of the central countries with which Latin America has trade relations.

This move, the study of which was approved by governments and is now taking place at the level of the central banks of Latin America, had a dual purpose. Its primary purpose was to draw attention to the special balance-of-payments position of the region in the present economic situation with a view to a new effort for collective regional co-operation in the financial field. Its second purpose was to introduce this

initiative into the international dialogue in view of the interest in sustaining the rate of imports of the countries of the region during the present crisis period for the sake not only of Latin America but also of the central exporting countries.

Even if the discussion of this subject serves only to draw attention to the special balance-of-payments problems of the region and to induce the industrialized countries to give them consideration, it will have carried out a by no means negligible role.

2. The rearrangement of the forces which have sustained the process of economic growth in the past

In view of the foregoing, the future prospects for the economic growth of the region will depend largely on the rearrangement of the forces which have sustained such growth in the recent past. This is not only an urgent need in the present circumstances but also a great opportunity for the whole region and in particular for the countries of higher development.

In sum, the problem is basically that of giving new dimensions to the role of the domestic market without reducing the dynamism of exports to the rest of the world and in particular to the Latin American region.

The relative weight of each of these forces — i.e., the domestic market and the external market — is considerably influenced by the size of the national economy. Thus, for the countries of less relative development the ratio of their domestic market to the capacity for external expansion, particularly as regards exports to the

other countries of the region, will continue to be greater than in the case of the more developed economies.

For this reason, it is necessary to reassert the conviction that in the phase which is just beginning now there will be a considerable increase in the significance of the Latin American market, and ultimately of the integration process. As was stressed in a document mentioned earlier⁸:

“The possibilities and viability of this objective are clear, in view of the large size and greater diversification of the Latin American economic spectrum. Although in the mid-1950s — when the integration projects were launched — the productive structures perhaps lagged behind the possibilities opened up, the present situation is quite different, and the actual facilities

⁸See *Latin America: the new regional and world setting*, *op. cit.*

are fully in keeping with these objectives”.

Some figures about the Latin American trade in manufactures were given above. The example of Brazil is particularly interesting in this respect, since between 1970 and 1974 its industrial exports to the region increased from some 221 million dollars to almost 780 million, and on average, during this five-year period, Latin America's share came to a little under 30 per cent.

In the CEPAL study on the possibilities of the efficient substitution of imports at the regional level to which reference has been made⁹, emphasis was placed on the volume of imports needed to supply the region with chemicals and capital goods.

In the period 1972-1973, these two items represented 68 per cent of the total imports of the region and had a value of approximately 16 billion dollars. Projections for 1985 indicate that Latin America's imports of machinery and equipment alone could come to around 24 billion dollars in that year. This represents a potential market for which substitution processes of international-level efficiency and competitiveness could be carried out; moreover, there are grounds for hoping to go beyond the regional market to the world market.

The new combination of forces in the development process and the greater relative importance of the domestic market point the way to other forms of insertion of the Latin American region in the international distribution

of labour. The force represented by the domestic market, together with the external expansion of the economies, does not aim as in the past at autarchy or at reducing the volume of imports. Imports must continue to increase in keeping with the rate of growth of the product. The real objective is to change the structure of imports and exports in order to make the growth process less vulnerable to the fluctuations of the international situation.

Nor are we thinking of a new international division of labour in which Latin America would enter the international scheme along the lines of Hong Kong or Taiwan.

The region has reached a degree of technological maturity and development of the productive processes which enable it to aspire to extend its exports to cover not only products with a high content of labour, whose cost can compete advantageously at the international level, but also to new products with a high technological content.

In this connexion, and to sum up this matter, I should like to recall some remarks by the famous economist Hollis B. Chenery:

“Any serious attempt to increase the international division of labour in manufacturing through external trade must adopt a more dynamic and longer-term viewpoint than that of the present comparative advantages if the developed countries are not to be accused of a new wave of neocolonialism. While concentration on labour-intensive products may be the only way by which a developing country can

⁹See Juan Ayza *et al.*, *op. cit.*, p. 33.

enter the export market, the profits made as income rises should be invested in modifying the structure of exports. In the long term, the industries in which technological progress and its future growth are most rapid need to be widely distributed among all countries, developed or not, parallel with new lines of comparative advantage — just as they are at present distributed among the developed countries.”¹⁰

Some recent experiences by the

Latin American countries in the field of non-traditional exports are instructive as regards the type of very complex exports which the region may manage to include.

To sum up, what Latin America should do is to pursue sustained individual development at the national and regional level, increasing its efficiency and scale of operations and projecting itself vigorously towards the rest of the world so as to establish and take advantage of a new system of international division of labour.

3. *New forms of regional co-operation*

The role assigned to the regional potential described above will call for the revision of some existing mechanisms.

My intention is not to add another voice to those lamenting the stagnation of the present integration processes and in particular that of the Latin American Free Trade Association; but rather to consider that an epoch has come to an end and that it is now necessary to begin a new one, learning from past experience but never losing sight of the final objective.

This new stage cannot do without some integration mechanisms in order to establish a certain minimum framework of stimuli and discipline in the relations between the countries, with

a view to laying the basis for an organized and expanded market; but it must not be limited exclusively to such mechanisms.

The wide range of bilateral agreements, bi-national or multinational inter-enterprise mechanisms, measures for strengthening physical unions between countries and great projects for joint execution continue to gain ground.

The emergence of new regional potentials is bound to call for novel and imaginative forms which can only come to fruition through a process of inner political conviction, which will have to be of great flexibility in order to carry out the necessary concrete action.

What has been achieved in regional interchange, although still insufficient, comes in addition to advances which may give rise to the joint exploitation of natural resources or the execution of great industrial projects.

It therefore seems that in order to

¹⁰Hollis B. Chenery and Helen Hughes, “La división internacional de la fuerza de trabajo: el ejemplo en la industria”, *El Trimestre Económico*, Vol. XXXIX (3), No 155, Mexico City, July-September 1972, p. 444.

overcome the present cases of stagnation we must take a long-term view, beginning by clearly demonstrating to all the parties the net benefits offered by their efforts, i.e., how much they can

gain and at what cost. Without this it will undoubtedly be very difficult to mobilize public opinion or gain political support.

4. The nature of the new international economic order

The critical international economic situation, and the clear perception of the interrelations between all the aspects in crisis and of the interdependence of nations have led to an unprecedented world "negotiation explosion".

This "negotiation explosion", though sometimes apparently operating in rather a dispersed manner, has been accompanied by the historic recognition of the growing significance of the Third World and the need for a North-South dialogue in order to reach valid agreements. The promising results of the seventh special session of the United Nations General Assembly and the results expected from the Paris dialogue open up new prospects.

The stage which has now been initiated will inevitably be long and difficult. The construction of new institutions on the remains of the now out-dated Bretton Woods agreements, which fixed the rules for the world capitalist economy for the last quarter of the century, has become much more complicated. The economic aspects of international relations have been diversified through new facets which derive from the calling into question of the growth model and the life style of the central economies and have concluded with the recognition that there is a new world, with new centres and new powers, both for the traditional

big central countries and for the peripheral economies.

In this connexion, some final remarks should be made.

Above all, there is a vital need to achieve Latin American unity and find suitable formulas that take account of Latin America's particular position in the new international distribution of labour which is desired and in the definition of the new rules of international life.

Latin American unity and the solidarity of the region with the rest of the Third World should go beyond the natural interest of the developing countries to act together when dealing with manifestly unequal power blocs.

Although this alone would fully justify this enterprise, there is another consideration also: namely, that the region, acting as a united whole, should deal with the special problems raised by the fact that it has been turned into the "middle class of the modern world", thus systematically excluding it from the emergency mechanisms set up recently by the international community.

This does not mean competing for resources with regions of the world which are obviously more backward. What it does mean, however, is that there should be corresponding specific solutions for the problems of the region

at any given time, particularly in relation to international trade or the transfer of financial resources.

A problem which affects this region very specially is that of the prices of basic commodities, which continue to be the backbone of Latin America's external trade, so that every effort must be made to organize the markets for them properly. Latin America is also concerned, however, about the access of its industrial products to markets and the terms on which technology is transferred, since both of these are aspects of fundamental importance for the present stage of the region's economic development.

The effort must be continued to ensure that the countries comply with the commitments undertaken in the United Nations as regards the transfer of resources and that stable agreement is reached on the international monetary system. At the same time, however, there must be an effort to ensure that the capital markets are opened up and access to them is facilitated so that new external savings can be absorbed by these means on normal market conditions and in competition with the developed countries. The forthcoming stages in the negotiations will be decisive in this field.

It is very important that the developing countries, suitably organized, should give certain subjects special priority. The excessive number of meetings and topics could result in priority being given to all topics, which is the same thing as not giving priority to any of them.

Primary commodities, the functioning of markets and the transfer of

resources are topics of undoubted importance for Latin America, and the organization of the region in this sphere is therefore urgent and should not be put off.

CEPAL has repeated on more than one occasion that Latin America now constitutes a purchasing and selling force of no mean importance, both for increasing international trade as a whole and for the central countries themselves. It should therefore be fully aware of its bargaining power when discussing international relations.

For the United States, exports of capital goods, consumer durables and chemicals to Latin America amount to three times that country's exports to the Japanese market and almost equal its exports to the European Economic Community.

As far as the European Economic Community is concerned, its sales of the same products to Latin America are equivalent to three-quarters of its sales to the United States market and four times its exports to the Japanese market. In 1973 the total exports of those three types of products from the United States, the European Economic Community and Japan to Latin America came to 11 billion dollars.

The bargaining power of the region is not easy to organize, but it does exist and provides a basis for a new approach based on mutual interest rather than mere concessional treatment.

It is in this new commercial spirit that the dialogue between Latin America and the other regions must be carried on, so as to put the region's international relations on a new footing.

5. A further consideration

As is well known, however, the problem which Latin America is facing does not consist solely of reactivating and rearranging the set of forces behind the region's growth. To deal with only this question would give good grounds for the accusation of an "economistic" or "developmental" distortion of the matter.

In reality, concern about this uncertain transitional period between the world of yesterday and that of tomorrow must be combined with the concern which has been growing in recent years in all our countries regarding the social projections or incidence of the modes of development which prevail in Latin America.

In other words, it is necessary not only to find means of reactivating growth but also of ensuring that the fruits of such growth are distributed more equitably. There are few people today who still feel that there is any kind of absolute or transitory conflict between the two. On the contrary, there is a growing world-wide consensus that they must be complementary and must back each other up.

It is worth recalling a few remarks made a little while ago¹¹:

"Of the increase of 100 dollars in the average per capita income [in Latin America] during the 1960s, only two dollars reached the poorest twenty per cent of the population. This is clear enough proof that we cannot be proud about what has been happening in the distribution of the benefits of progress. Today there are rather more than 300 million Latin Americans. Of that number, about 100 million live in extreme poverty, and of these, some 65 million are in rural areas, cut off from markets and lacking even the minimal culture which would enable them to glimpse the possibilities of a different way of life from that which they have followed for generations".

This, then, is the dual economic and social challenge facing the region. CEPAL, faithful to the principles set forth in the United Nations Charter and to the humanistic tradition, has never forgotten that the economy must be placed at the service of mankind and of society, and not vice-versa.

¹¹See *Latin America: the new regional and world setting, op. cit.*

Styles of development in Latin America

*Aníbal Pinto**

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

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

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1 General concepts¹

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

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

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

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

which have still not jelled into a new term that adequately expresses them. The only expressions which have so far come into general usage are an extension ("social" or "integrated" development) and a caricature ("developmentalism") which give little more than the restricted or insufficient concept of growth, with some additional critical considerations on dependence and long-term prospects².

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

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

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

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

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

America, for example), which are just becoming aware of the problems involved in continuing their progress towards the point reached by the advanced countries, and are beginning to suffer the effects of this process³.

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

In other words, concern about the "style of development" is shown by those who are sick and tired of the "affluent society", those who — while half way to reaching that state — criticize the presumed desirability of that goal and, lastly, those who have no desire to reproduce the rejected model or have little or no chance of doing so.

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

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

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

being, the prevailing criterion was that the patterns of evolution and progress for all nations should be those established by the more advanced and dominant communities, which, in the words of the Communist Manifesto, tended to transform the world in their own semblance and image⁴.

Now, however, the discouragement and pessimism of some is matched by the hostility and resentment of others, despite the irrefutable fact that the international economy and the economies of the industrialized capitalist countries in particular have lived through a quarter century of uninterrupted and exceptional material growth.

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

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

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

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

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

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

terminology and concepts used in the discussion. Styles, models, systems, structures, patterns, profiles, etc. are either currently used as though they were synonymous terms, or else the differences between the words and their special meanings are not strictly defined. I myself, for example, must confess that in a preliminary version of this study I used the words "system" and "style" indiscriminately⁵.

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

The first is that of the *system*, which for our purposes and in very general terms we shall associate with the two main opposing forms of organization co-existing in the world today: capitalism and socialism⁶.

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

private consumption and investment, and with the rate of return on the allocation of resources. In the socialist system, the *main* elements are decisions by the State (or the Plan) regarding investment and *public community* consumption⁷.

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

Although the reservations and difficulties attributable to the two systems are clearly not identical⁸, the number of those supporting such an extreme over-simplified view has decreased considerably. Conversely, there are more and more people who think that there are some questions which go beyond this dichotomy, e.g., problems of the environment, urban agglomeration, the dissatisfaction of youth, etc.

Following a different approach, a second important category derives from

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

manifest at all levels of social life may be discerned within each of those broad groups. Later on we shall consider the economic meaning of the concept from the angle of the situation in Latin America⁹.

From this point of view, therefore, I agree to all intents and purposes with one of the definitions suggested by J. Graciarena¹⁰, according to which a *style* is "the specific and dynamic modality adopted by a system within a particular context and at a particular moment in history". On the other hand, I disagree with his statement that "this proposition relates to a structure (or social formation) rather than a style". To my mind, his reference to a "context" should be taken precisely to apply to the structural fact of the developed-developing complex referred to above.

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

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

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

initiated in the time of the well-known economist Jorge Ahumada¹¹. The three styles discussed in the CENDES study ("consumer", "authoritarian" and "creative") were assumed to be compatible with the general framework of Venezuelan society. In the words of that study, "in the hypotheses used there is no discontinuity or sharp change of policy which could bring about revolutionary situations or revolts".

A second possibility is that criticism of the prevailing style and the search for possible alternatives involves or requires a change in the basic setting of the process. This could mean that it is considered essential to change the *system*, i.e., to replace a capitalist system by a socialist system, or vice-versa¹².

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

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

¹¹See CENDES, "Estilos de desarrollo", in *El trimestre económico*, N° 144, Fondo de Cultura Económica, Mexico City, October-December 1969.

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

⁹See the reasons for this "methodological reduction" in footnote 1.

¹⁰This does not mean that I reject his other suggestions on the subject.

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

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

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

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

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

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

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

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

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

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

The reciprocal influences between

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

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

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

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

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

2

The structural base

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

Table 1 shows the conformation of the structures of production and employment in the region in 1970¹³. The distinctive features are well known

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

¹³For further information on the subject, see “Trends and structures of the

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

stage — which is ultimately reflected in the per capita product or income¹⁴. The prevailing style (and its alternatives) rests on this basic reality. The second important feature for our purposes is the disparity between the shares of the various sectors in the product and employment, which is another of the factors determining under-development and simultaneously influencing the conformation of the style of growth.

Table 1
STRUCTURE OF PRODUCT AND EMPLOYMENT, 1970

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

Source: CEPAL, on the basis of official statistics.

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

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

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

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

The production structure can also be analysed from another standpoint,

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

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

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

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

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

ciones de la "heterogeneidad estructural" de la América Latina", *El trimestre económico*, No 145, Fondo de Cultura Económica, Mexico City, January-March 1970.

Beginning with the overall table for the region, it can be seen immediately that while only quite a small part of the population is employed in the modern sector (a little more than 12 per cent), this sector accounts for more than half of the goods produced¹⁶. As we shall see later, certain goods (and services) which directly or indirectly satisfy certain types of demand are produced primarily or exclusively by this sector.

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

At the other end of the scale is the so-called primitive sector, which still accounts for more than a third of regional employment although its contribution to the material product is only 5 per cent¹⁷.

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

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

The intermediate sector is the most "balanced" from the point of view of the employment/product ratio¹⁸. This sector accounts for almost half of the jobs offered and a little more than 40 per cent of the product. It plays a particularly important part in manufacturing activities, since it employs 65 per cent of the industrial labour force and accounts for more than a third of the product. Its share in mining production is very small, even though more than a third of the workers employed in that activity work in this sector. Therefore, of all the sectors considered, this one has the worst employment/product ratio.

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

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

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

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

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

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

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

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

Reference should be made in particular to the openness of the Latin American economies. This shows the extent to which they are part of the scheme of the international division of labour. As everyone is aware, the region's export and import coefficients are relatively low¹⁹: a situation for which the bigger countries are largely responsible, since these coefficients range from approximately 10 per cent for Brazil, Mexico and Argentina, to more than 30 per cent for some Central American economies. The great majority of the countries increased these coefficients over the past decade, and the region became even more open during the first three years of the 1970s.

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

Other events have led to a sharpening of this trend and helped to create a different structural situation. During the 1960s, the importance of external financing in reducing the ever increasing deficit on the trade balance and current account increased²⁰. At the same time, the external relationship was also strengthened through the constantly increasing importance of transnational enterprises in the economies of the region²¹.

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

As regards exports, there was a small but noticeable decrease in the degree of concentration on the export of primary products in the 1960s²², while the share of manufactured products rose²³. It should be borne in mind that in 1970

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

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

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

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

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

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

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

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

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

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

3

The functioning of the style

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

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

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

they give us an idea of the global dynamics, since they reflect indirectly the performance of the primary and tertiary sectors²⁴.

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

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

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

Source: CEPAL, on the basis of official figures.
^a1967-1971.

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

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

The figures describing trends in Argentina, Brazil and Mexico confirm

similar tendencies, which are less pronounced in the first of the countries mentioned but are particularly marked in Brazil. For this country the period 1967-1971 was chosen, both because the longer term covers highly dissimilar periods, and because these years of active and sustained growth at the end of the decade clearly bring out the sources of dynamism of the existing style. In the case of Brazil, as we can likewise see from table 3, the average overall rate of 12.2 per cent is made up of quite a high rate of expansion in "traditional" activities (around 7 per cent) — a feature which cannot be overlooked — but extraordinarily high rates in the basic metal industries, particularly as regards heavy durable goods²⁵.

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

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

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

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

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

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

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

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

Table 4
LATIN AMERICA:
SHARE OF DIFFERENT POPULATION
STRATA IN TOTAL CONSUMPTION, BY TYPE OF CONSUMPTION,
AROUND 1970^a

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

Source: CEPAL estimates based on national surveys.

^aEstimated average on the basis of data from Argentina, Brazil, Chile, Colombia, Honduras, Mexico, Paraguay, Peru and Venezuela.

^bHousing includes: rents, textile articles for the home, fuels, electricity, gas, water and household goods.

^cPersonal care includes: toilet articles, drugs and medicines, medical services, hairdressing and suchlike.

^dRecreation and amusement includes: holidays and tourism, recreation, newspapers and magazines, dues to social clubs and suchlike.

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

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

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

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

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

Source: CEPAL estimates based on national surveys.

^a Housing includes: rents, textile articles for the home, fuels, electricity, gas, water and household goods.

^b Personal care includes: toilet articles, drugs and medicines, medical services, hairdressing and suchlike.

^c Recreation and amusement includes: holidays and tourism, recreation, newspapers and magazines, dues to social clubs and suchlike.

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

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

Source: CEPAL estimates on the basis of national surveys.

^aHousing includes: rents, textile articles for the home, fuels, electricity, gas, water and household goods.

^bPersonal care includes: toilet articles, drugs and medicines, medical services, hairdressing and suchlike.

^cRecreation and amusement includes: holidays and tourism, recreation, newspapers and magazines, dues to social club and suchlike.

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

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

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

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

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

4

Some questions and options

The situation described raises a few questions which can be put in the form of two alternatives²⁶:

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

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

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

differences in this respect have been brought out in many studies, and this is not the place to repeat them²⁷. At all events, the "special case" of Argentina indicates that large-scale marginalizations in not an obligatory feature of the Latin American experience (the problem is dealt with later at the regional level). However, it is clear that a basic question of deadlines is involved. A gradual incorporation which might have taken a century or many decades in the past in the central economies does not seem viable in current circumstances unless politico-social restrictions are applied, although this latter possibility cannot be over-

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

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

looked in the light of certain regional experiences.

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

Without going into the specific

viability of this option in the short or long term, it is clear that it is not acceptable in terms of the professed values of the international community²⁸.

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

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

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

Source: CEPAL estimates on the basis of national surveys.

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

^aPer capita personal income.

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

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

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

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

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

As may be seen from table 7, per capita income in the region is estimated to have increased by some 27 per cent between 1960 and 1970, which would represent 95 dollars at 1960 prices in absolute terms²⁹. This average or global change meant very different things for the different strata. Thus, the smaller percentage increases of the two groups in the highest income brackets represent absolute improvements of 325 dollars for the 5 per cent at the top of the income bracket structure and 292 dollars for the top 10 per cent.

²⁹Between these years the domestic depreciation of the dollar was almost 32 per cent.

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

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

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

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

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

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

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

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

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

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

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

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

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

could be drawn³⁰, while the remaining 20 per cent, whose income approximates to 200 dollars per year, are probably situated only just above it.

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

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

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

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

It seems reasonable to think that the members of this stratum have crossed the threshold of the market for durable goods. If we take another look at table 4 it will be seen that this group accounts for 37 per cent of the consumption of electrical and mechanical appliances, 30 per cent of the purchases of housing and related expenditure, 32 per cent of the consumption of footwear and clothing, etc. However, their access to more expensive durable goods such as motor vehicles (only 13 per cent) is still limited, although their participation in the used car market is probably increasing steadily³¹.

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

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

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

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

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

5

The meaning of critical poverty

Before going into the possibilities which

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

years, considerable strain would be put on the productive system³².

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

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

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

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

Source: CEPAL estimates on the basis of national surveys.

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

of abject poverty is to be radically changed.

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

According to a recent study³³, if these targets are to be achieved and abject poverty eliminated, the lowest

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

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

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

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

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

population would have to increase at a rate of 12.5 per cent per year, while for the poorest 50 per cent the rate of increase would have to be 6.9 per cent. For this to be possible, the relative shares of each stratum in total income would have to be changed³⁴. As may be seen from section IV of table 11, this would involve

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

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

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

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

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

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

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

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

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

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

6

Options

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

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

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

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

³⁵See in particular CEPAL, *Un modelo para comparar estilos de desarrollo o políticas económicas optativas*, E/CN.12/907, 1971 and "Different development models or styles", *Economic Bulletin for Latin America*, Vol. XIX, Nos. 1 and 2, 1974, United Nations publication, Sales No: E.75.II.G.2.

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

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

As indicated in a study quoted earlier³⁶, "the insight into the distribution of income which can be obtained from the model follows directly from the employment structure and its evolution... There is some improvement, but the basic imbalance remains. By the end of the century there has been some upward shift in the relative composition of the labour force: the low income group declines to less than half of the total, the middle group is marginally larger and the high income group is considerably larger, accounting for about one sixth of all income recipients".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7

Some vital questions

In any event — going back to the initial theme — this discussion leads us inevitably to the essential question of the possibility of introducing the changes which are considered to be desirable, necessary and historically viable in the light of material circumstances and within a given period of time. Put in other words, closer to those used in the discussions we all know so well: Is it a question of changing the *style* of development or must the *system* also be changed³⁷.

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

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

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

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

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

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

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

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

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

Approaches to development: who is approaching what?¹

*Marshall Wolfe**

After several decades of thinking and action about development, controversy still persists over the objectives it should pursue and the means that should be adopted in order to secure it.

This article does not pretend to put forward a solution of its own, but simply tries to suggest an existential conception of development, which is viewed as an unceasing effort to impose a rational form based on a particular set of values on an actual situation which does not readily lend itself to this. It begins by analysing the difficulties of defining and orienting development, both from the academic and the political point of view, and goes on to enumerate some of the recommendations which have been made in this respect by the United Nations General Assembly and CEPAL. Subsequently, it makes a critical analysis of the uniform development requirements which emerge from these expressions of international consensus, notes their links with the present world order, and describes the position of the Latin American countries in this context. Finally, it distinguishes the main criteria which have been used to define the ends and means of development (the utopian-normative, the technocratic-rationalistic and the socio-political approaches) and concludes with a critical analysis of the agents of development.

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1. “Development” under question: the feasibility of national choice between alternative styles

International discourse since the 1940s has postulated that the term “development” refers to an intelligible process that can be furthered by rational action within the framework of nation-states — that is, by “planning”. The participants in the discourse have disagreed radically with one another concerning the nature of the national and international orders within which development is to take place, in their evaluations of what is happening, and in their prescriptions for action. Variants on the vision of linear progress, according to which the “developed” countries have both the capacity and the duty to help others follow in their own path, have continually clashed with variants on the vision of societal transformation, according to which the development of poor countries requires *inter alia* liberation from exploitative relationships that have made the “developed” countries rich and dominant. Nevertheless, arguments have proceeded within an implicit consensus that there can be only one kind of development: a process with certain societal preconditions, going through predictable stages,

¹The present paper continues an exploration begun in “Development: Images, Conceptions, Criteria, Agents, Choices” (*Economic Bulletin for Latin America*, Vol. XVIII, N° 1 and 2, 1973).

requiring accelerated capital accumulation and technological-entrepreneurial innovation, leading to the formation of national societies and economies predominantly urban and industrial, imbued with "modern" attitudes towards the world and citizenship, capable of continually rising production of goods and services and, eventually, of ample satisfaction of the consumption demands of their members. It follows that there can be only one optimal way to develop; the task, then, is to define it, diagnose the deviations from it of the society in question, and prescribe means of setting that society on the correct path.

At present, while the international machinery deriving from this interplay of conflict and consensus over development continues to ramify and the list of internationally accepted requisites for development continues to lengthen, the view of development as a uniform definable sequence to which all national societies must conform under penalty of remaining poor and backward is being challenged from many different theoretical, ideological and valorative positions. Some critics question whether "development" is a meaningful concept and trace it to an ethnocentric supposition of the duplicability of the experience of a few "Western" societies during a certain period of history, or to a misleading analogy, deeply rooted in "Western" thought, between change in societies and "development" in living organisms. For example:

- "A fair amount of effort has been given to attempts at definition as well as to the argument that development 'in general' or 'as such' is a proper or sufficient goal of national

and international activity. But it is insufficiently pondered how strange and remarkable is our use of the term. We proceed as though 'everyone knows' what it means. And, to be sure, at a common-sense level everyone does. ... The common-sense meaning is clear: to be developed is to be Western. Or, if this seems ethnocentric, offensive, 'modern'. ... The defining characteristics of modernity in the West have not been achieved by an effort, consciously and nominally, 'to develop'. This is a post-hoc rationalization, a convenient fiction to give history 'meaning'. ... We do not know, with anything approaching completeness and certainty, how to make a pre-modern State modern. ... Even if we had such knowledge, it would not solve the problem of development if this is conceived as achievement of a certain set of now-known, defining characteristics which, if achieved, would make all nations 'developed'. For the most highly developed nations are in a period of rapid transformation. ... When developing countries seek to become developed through the use of administrative means currently favoured in industrialized countries, they will, if successful, be re-creating 'vanished civilizations'. ... The present enthusiasm for development is a wondrous thing: everyone is for it, but what it is — other than a transient pattern — is open-ended, baffling"².

²Dwight Waldo, "Reflexions on Public Administration and National Development", *International Social Science Journal*, XXI, 2, 1969.

■ “The more concrete, empirical, and behavioural our subject matter, the less the applicability to it of the theory of development and its several conceptual elements. It is tempting enough to apply these elements to the constructed entities which abound in Western social thought: to civilization as a whole, to mankind, to total society; to such entities as capitalism, democracy, and culture. ... Having endowed one or other of these with life through the familiar process of reification, it is but a short step to further endowment with growth. ... It is something else entirely, however, when we try, as much social theory at present is trying, to impose these concepts of developmentalism upon, *not* constructed entities but the kind of subject matter that has become basic in the social sciences today: *the social behaviour of human beings in specific areas and within finite limits of time*. ... The model of Western Europe and its seeming direction of social change during the past half-dozen centuries... is made the trend of social change for all human civilization and, as countless studies of the so-called modernizing nations suggest, the stereotype for their individual analysis — and also their reconstruction”³.

The dismissal of “development” as an updated version of the “Western” myth of progress naturally cannot

satisfy political leaders and ideologists who start from the premise that the present situation and future prospects of their societies are unacceptable, however congenial they may find the discrediting of “Western” models. Rational action based on a valid interpretation of the society in question and aimed at a preferable future must be possible. If “development” as previously conceived is unattainable, undesirable, or meaningless for the society, then “true” development must mean something else. “Development” becomes a path to be chosen by each national society on the basis of its values rather than a mould to be imposed on it. The undercurrents of voluntarism in developmental discourse continually reappear in differing forms in response to political demands. Several related questions then come to the fore: Can “development” mean anything anyone wants it to mean? Do all of the national societies now on the world stage have the capacity as well as the right to “develop”? Can a society or agents acting in the name of a society choose images of the future different from those hitherto current, unconstrained by the society’s past and present, and convert these images into reality through rational action? Under what conditions? If it is granted that development can and should mean different things for different societies and that the attainment of viable and acceptable national style of development⁴ depends as much

³Robert A. Nesbit, *Social Change and History: Aspects of the Western Theory of Development* (London, Oxford University Press, 1969).

⁴See *Report on a Unified Approach to Development Analysis and Planning, Preliminary Report of the Secretary-General* (E/CN.5/477, 25 October 1972) which distinguishes between the “real style of development” of a

on political will as on economic and cultural preconditions, what is the relevance of international prescriptions laying down what "development" should be?

In the International Development Strategy adopted by the General Assembly in 1970 and in numerous other declarations within the framework of the United Nations, Governments have agreed on utopian-normative standards for development that have not been met convincingly anywhere in the world and have called for studies demonstrating how to bring development processes into closer correspondence with these standards. The international declarations juxtapose and try to reconcile propositions deriving from quite different conceptions of development. The most authoritative and coherent formulation — in paragraph 18 of the International Development Strategy — contains at least three

national society (that is, what is actually happening, on the supposition that no society is static), and "preferred styles" (that is, what certain forces in the society want to happen). It is assumed that several preferred styles will normally be competing for attention within a given society and that overt preferences can mask quite different real preferences. In the present paper, the term "prevailing style" is used as equivalent to "real style", and refers to the variants of dependent capitalism prevailing in most of Latin America. The terms "original", and "value-oriented" refer to preferred styles that correspond to the criteria for styles combining "acceptability" and "viability" set forth in the "unified approach" report. "Styles of development" emanate from social systems, as conceptualizations of their processes of growth and change, and may or may not give rise to explicit strategies.

separable propositions: (i) that "the ultimate purpose of development is to provide increasing opportunities to all people for a better life"; (ii) that the more specific objectives associated with this purpose (rapid growth, structural change, more equitable distribution of income and wealth, expansion of social services, safeguarding of the environment) are "parts of the same dynamic process", simultaneously ends and means; (iii) that it is feasible as well as desirable to move toward all objectives at the same time and in a "unified" way. The Strategy spells out the social objectives that are to be unified in a formidable list of commitments expressed in general terms; elsewhere it concentrates on the more traditional economic objective of a rate of growth in production of at least 6 per cent annually and (in relatively precise terms) on the economic requisites for attainment of this objective.

The above propositions are compatible with one another, but endorsement of any one of them does not require acceptance of all the others. The social objectives remain vulnerable to arguments that accomplishment of the "ultimate" purpose of development requires immediate concentration on rapid growth, that no society is capable of "unified" pursuit of all the other objectives set forth in the Strategy, and that governmental attempts to do so within existing political systems and resource limitations will simply paralyze the capacity — insufficient at best — to accelerate economic growth. The economic target, for its part, is equally vulnerable to arguments that policy concentration on very high rates of

economic growth unavoidably exacerbates societal tensions, heightens maldistribution of wealth and power, and distorts life styles in ways that will make the "ultimate purpose" ever harder to approach.

It is probable that international discourse concerning development will continue to vacillate between conceptions of development subject to the economic Kingdom of Necessity (however this may be envisaged) and conceptions of development as at least potentially a variable embodiment of societal values and choices⁵. Experiences up to the present strengthen the negative sides of both the arguments summarized above; the real processes of "development" are not incontrovertibly enhancing human welfare even in the high-income countries and their long-term viability is in doubt, while the attempts to formulate and apply original, autonomous, human-oriented styles of development continue to founder in their confrontations with reality or to survive at a price that leaves their promise unfulfilled.

The present paper will explore the value-oriented propositions in the more recent international declarations as elements for a coherent reconceptualization of development and for the definition of original styles of develop-

ment compatible with real national situations within the real world order. It will confront the elements with the central suppositions of development theories up to the present; with the characteristics of the world economic and political order; with the position of Latin America within this order; and with the different types of national societies and life-styles now emerging in Latin America. The exploration will treat conceptions, aspirations and societal images as capable of exerting real influence on what happens and as not entirely predetermined by economic laws or class interests, but it will avoid reifying them, or treating "development" as an ideal reality existing apart from what societies actually do, and to which they can approximate to the extent that they broaden their understanding of what it "really" is. The paper assumes that present international demands for a "unified approach to development", for "autonomous and original styles of development", etc., derive from a justified rejection of present trends and prospects, and present a challenge to all would-be analysts and agents of development that should not be ignored or evaded. It also assumes that the expressions of this challenge are susceptible to over-generalization, evasion of the more formidable difficulties, contentment with ritualistic reiteration of good intentions, and delusions that infallible and painless solutions to all problems are somewhere waiting to be discovered.

These shortcomings are associated with the extremely varied and partly incompatible pressures and preoccupations that impinge on the demands for normative approaches to the problems of

⁵Questions of this kind, of course, were debated in Latin America as well as other parts of the world long before the term "development" became current. Most of the present arguments were paralleled in Mexico, in particular, prior to and during the Revolution. See Arnaldo Córdova, *La ideología de la revolución mexicana: Formación del nuevo régimen* (Mexico, D.F., Ediciones Era, 1973).

development, and that can be reconciled, at the level of international discourse, only through eclectic compromise formulas. The main pressures and preoccupations can be set forth as follows:

(a) Since the beginning of international concern over development, certain currents of opinion have concentrated on the formulation of ever more inclusive formulations of human rights, including rights to defined levels of living and social services. The proponents of human rights have dealt in absolutes: rights are the same everywhere and should be enforceable immediately, whatever the specific circumstances of the society. It follows that only one style of development is acceptable — and that must be a style very different from any of those prevailing. The standards for rights have derived mainly from the high-income industrialized countries, in which it can be assumed that material capacity for honouring of the rights is present, and in which strong political movements and pressure groups demand that they be honoured. In most of the rest of the world neither of these conditions has been present. Governmental endorsement of rights requiring the commitment of important resources (e.g., universal education) has served partly as a symbolic substitute for action or promise of future action, and partly as a basis for demands on the high-income countries that they help finance observance of the rights they have endorsed. Development analysts and planners, for the most part, have treated the “rights” as non-binding expressions of good intentions, even

when, within their own production-oriented conceptions of development, they have given high priority to improvement of education, nutrition and public health. Within national societies arguments based on “rights” that are universal in principle become weapons of different classes or groups to strengthen their claims to a larger share of public resources that cannot be stretched thin enough to satisfy all the claims. The State confronts an incessant clamour from interest-groups and localities demanding that it “solve their problems” as a matter of right. Meanwhile, movements centring in the high-income countries continue to generate and obtain international approval for new formulations of rights, particularly in regard to public social services. The continuing confrontation of real development processes with “rights” that stand for international consensus on the content of a just social order is indispensable to the rethinking of development. However, permanent tension is to be expected between the universalistic pretensions of the rights formulations (with their derivation from certain types of societies and historical processes) and the quest for autonomous and viable styles of development under conditions in which no conceivable agents of development will be able to “take into account” all the desiderata that are thrust upon them.

(b) The high-income industrialized societies, in both the “capitalist” and the “socialist” variants, have encountered multiple crises — of values, of resources, of capacity of their dominant forces to accomplish their declared aims, of

capacity to maintain high levels of employment and consumption except at the price of inflation and environmental degradation — that have shaken their self-confidence and partly discredited them as models for “development”, “modernization”, or the “welfare state”. Their advances in planning, information systems and social science research have not saved them from drifting to the brink of such crises, then taking action in an atmosphere of improvisation and catastrophist publicity. The question comes to the fore whether they are not as much in need of a rethinking of development as the rest of the world, and even more inhibited in making the needed changes by the expectations and institutional rigidities that derive from their past successes. In the present context, it is worth emphasizing that their special preoccupations project themselves into the discussion of new styles of development for the rest of the world through the dominance of their academic and cultural institutions, and through the extent to which their shifts in resource use, consumption patterns, environmental standards, etc., affect what can actually be done elsewhere. The problems of “post-industrial” or “post-modern” societies unavoidably become intertwined in the developmental thinking of societies that have experienced the process of “industrialization” and “modernization” only in partial and distorted forms.

(c) The “developing” countries that have attained high rates of economic growth and “modernization” have not been able to convert these processes into generalized enhancement of welfare

and societal participation. The dominant forces in some of them remain convinced that they will eventually be able to do so and that there is no other practicable path to the “provision of increasing opportunities to all people for a better life”; consequently, they feel that the discussion of different styles of development is dangerous nonsense. Their critics argue that their present patterns of growth and modernization are accompanied by increasing tensions that cannot be repressed or managed indefinitely, and point to certain countries previously held up as developmental good examples for their high rates of economic growth that have since undergone economic and political disasters. There is no way of proving that either thesis is universally sound, but at best the path of rapid, concentrated economic growth seems open only to a minority among the developing countries, and for this minority its desirability and long-term viability seem less self-evident than a few years ago.

(d) The number of formally independent national units now on the world stage is much larger than at any time since the rise of the “modern” nation-state. Many of them are so lacking in what have been considered the basic preconditions for development, or even the basic preconditions for “national” independence, that they can only despair of matching up to the conventional development prescriptions. If they are not to resign themselves to permanent dependence on international aid combined with the proceeds of raw material exports (which may be real

possibilities for some but not for others), they must seek original paths to the future. They may rely on solidarity with societies in a like position, subordinating their "national" autonomy to the formation of units large enough to be economically and politically viable, or they may move toward a closed, austere, equalitarian national life-style, excluding stimuli toward consumption levels they cannot attain. In either case, or in trying to combine the two strategies, their political leaders and ideologists find no dependable precedents or prescriptions for what they are trying to do.

(e) Both the rich and the poor societies have awakened quite suddenly to the implications of present levels and geographical distribution of natural resources, as they interact with population and consumption growth trends. It is obvious, once the problem is stated, that the societies representing the overwhelming majority of the world's population will never be able to attain levels of per capita resource use remotely similar to those already attained by a few high-income societies in North America and in Europe. It is doubtful whether the latter societies will be able to maintain their present levels and patterns of resource use for much longer. For most of the world a viable style of development must envisage relatively modest levels of consumption of non-renewable resources, substitution of renewable for non-renewable resources wherever feasible, and adequate ecological controls to ensure that the latter really are "renewable". The probability emerges

that the low-income countries will gradually shift from maximizing exports of their non-renewable resources to husbanding these resources for their own use, in the face of increasingly desperate demands for them from the high-income countries. Paradoxically, the prospect also emerges that the low-income predominantly rural-agricultural countries will become increasingly dependent for food supplies on the high-income predominantly urban-industrial countries at a time when food production surpluses in the latter are vanishing.

(f) The conventional international approaches have assumed that "countries" develop and that development is closely associated with processes labelled "modernization" and "nation-building". It has been postulated that planned action at the national level to further these processes is both feasible and essential, that countries should depend on mobilization of internal resources as far as possible, but that they can rightfully and realistically demand financial and technical "co-operation" from the high-income "developed" countries. Enormous and labyrinthically complex international machinery has come into being on the basis of these suppositions. Factors such as those mentioned above, along with certain traits of the international co-operation machinery itself — the dubious applicability of many of the technical transfers, the failure of "planning" to respond to the hopes invested in it, the crippling indebtedness that has resulted from the conditions of financial transfers, etc. — have brought the basic suppositions into question. Experience has given increased plausibility to an alternative

viewpoint that has been argued (in several differing versions) since the beginning of the international development effort: that autonomous development at the national level is an illusion within the present world order, that the reality is an international market system that generates "development" (by the conventional economic criterion) at one pole and "underdevelopment" or "dependent development" (in the more qualified versions) at the other, within which imitative modernization simply internalizes the patterns of dependence and "nation-building" can be no more than a façade. Under such interpretations, the phenomenon is not simply one of exploitation of poor "countries" by rich "countries". The processes of polarization are not delimited by national frontiers, since "modernizing" interests in all countries identify themselves with the dominant centres and benefit from the system at the expense of the rest of the population. It follows that the rich countries are inherently incapable of helping others to "develop", as long as both adhere to the market order. Some versions go farther and question whether relations between "socialist" non-market societies of the centre and the periphery could overcome polarization and dependency as long as prevailing tactics of modernization and technological transfers are perpetuated. International technical and financial co-operation, then, unavoidably conforms to the traits of the dominant world order. It necessarily strengthens the ties of dependency and helps the dominant forces in the dependent societies evade the choices and sacrifices required for "authentic"

development, whether or not it brings them short-term advantages. Since the international co-operation movement represents a major intellectual and emotional investment as well as a source of livelihood for thousands of persons skilled in manipulating developmental symbols, and since there are very few societies where the dominant forces are prepared to renounce altogether the hopes and material advantages it has offered, however disillusioned they may be with it, its present crisis contributes another current to the quest for new conceptions of development. Like development itself, if international co-operation is judged futile or deceptive in the forms it has taken then it must mean something else.

The above pressures and preoccupations, taken together, suggest that the international debate over the meaning of "development" (or some other term designating hopes for a better future, if the term "development" falls into discredit) and the tension between determinist and voluntarist-normative views, between universalist views and culturally specific views, and between revolutionary-catastrophist views and evolutionary-linear-progress views will continue for the foreseeable future. The international impingement of basically incompatible viewpoints will continue to generate eclectic, compromise formulations of ends and means.

Each "country" by the fact of its formal independence has a recognized right to determine its own ends and means, but it cannot expect to do so with impunity if it defies the real constraints imposed by the international

order and its own endowment of human and other resources. It *should* not expect to do so with impunity if it disregards the values of social justice, human welfare, participation and freedom on which the international community has reached a consensus. But are the "countries" real entities capable of making choices and claiming rights? Who speaks for them? Is "development", however conceived, really uppermost in the purposes of the spokesmen and of the masses of their populations?

If the quest for original styles of development oriented towards the "ultimate purpose" set forth in the International Development Strategy is to be more than a utopian exercise, it must not only seek to demonstrate the viability and desirability of such styles, but must identify potential agents of them and propose strategies in terms intelligible to these agents. In international discourse, this is the aspect most likely to be evaded. Statements are either couched in the passive voice, or use the term "we" in a manner that suggests that their authors are certified spokesmen for public opinion in the societies striving to develop. One of the most explicit formulations in an international document up to the present affirms that: "To achieve the desired objective, more radical measures... have to be adopted. Whether they are feasible or not depends heavily on the balance of political forces in the country concerned. ... Unless there is sufficient political commitment to the surmounting of these constraints,

efforts to combat poverty are destined to fail"⁶.

Formulations of this kind implicitly challenge the realism of most normative declarations. It is one thing to suppose that a well-meaning government is unaware of the things it ought to be doing, and quite another to suppose that it may be uninterested in or incapable of doing these things even after exhortation or scolding. If the "balance of political forces" is such that a government cannot apply the "radical measures" required for a value-oriented development strategy, what follows? One can fall back on warnings of dire consequences if the advice is not followed, as does the Committee for Development Planning document quoted above: "In mustering the political will and in organizing the required national consensus... Governments need to recognize that failing to act — or making no more than token responses to mass poverty and unemployment problems — is likely to yield even more disruptive outcomes"⁷.

⁶Committee for Development Planning, *Attack on Mass Poverty and Unemployment* (United Nations Publication, Sales N°: E. 72. II.A.11).

⁷The same point of view is expressed with particular clarity in an address delivered by Mr. Robert S. McNamara to the annual meeting of the Board of Governors of the International Bank for Reconstruction and Development (*Summary Proceedings*, Washington, D.C., 25 September 1972): "Governments exist to promote the welfare of all of their citizens — not just that of a privileged few ... absolute human degradation — when it reaches the proportions of 30 to 40 per cent of an entire citizenry — cannot be ignored, cannot be suppressed, and cannot be tolerated for too long a time by any government hoping to preserve civil order".

These warnings have not proved convincing in the face of historical evidence that the deliberate organization of radical structural changes in societies is a path with unpredictable consequences for the leaders and social forces entering upon it, and that if the values and perceived immediate interests of the forces controlling the State do not require such changes, it is safer and cheaper for them to allocate resources to an effective repressive apparatus.

In some respects, the constraints set by the dominant world order now

“To underprice capital for the wealthy and make credit expensive for the poor; to allow liberal access to scarce resources for the privileged, and price them out of reach of the deprived; to provide subsidies for the powerful, and deny them to the powerless — these are wholly self-defeating approaches to development. Such policies lead a nation inevitably toward economic imbalance and social instability.” The “powerful” and the “privileged” might answer that the State exists precisely to look after their welfare, that there is no infallible way of guaranteeing economic balance and social stability, but that they have in mind ways that are more likely to work for them than those demanded by Mr. McNamara ... or they might see fit to agree with him publicly and follow their own counsel privately. A remark by Dudley Seers is apposite: “A familiar joke in the international scene today is the attempt by the ‘progressive’ economist, domestic or foreign, to sell land reform or industrialization, or more effective tax collection, or wider educational opportunity, or greater independence from a foreign power to a government whose *raison d’être* is precisely the *prevention* of such developments, or at least limiting them to the greatest extent possible”. (“The Prevalence of Pseudo-Planning”, in Mike Faber and Dudley Seers, Ed. *The Crisis in Planning* (Chatto and Windus for Sussex University Press, London, 1972).)

seem less rigid than they did a few years ago. At least, the present multifaceted crisis is changing their character in ways that make their future problematic. Nevertheless, certain elements in the world order remain so pervasive that no country can embark on a developmental path radically incompatible with them without the certainty of enormous difficulties and sacrifices. The dominant life-styles and consumption aspirations may prove even harder to change than the centre-periphery patterns of political, financial, trade, and technological dependency to which so much attention has been devoted. Prescriptions such as that advanced by the Development Planning Committee for the elimination of mass poverty and unemployment may be viable only at the price of protracted social struggles with unpredictable results, involving the emergence of an entirely new power structure. Under other circumstances, the quest for value-oriented autonomous styles of development may make real policies even more confused and self-contradictory than hitherto, and may terminate in disaster for régimes embarking on the quest without the will or the capacity to handle the consequences.

Value-oriented styles of development will require not only agents capable of setting the society in motion in the desired direction and mobilizing popular participation and support. They must also meet minimum performance standards in terms of resource mobilization and allocation, production and distribution of goods and services, enforcement of priorities, etc., without generating unmanageable

societal resistance. The circumstances under which such styles become politically possible also ensure considerable inefficiency and cross-purposes during a transitional period of learning by experience. There is no reason to expect existing interest-groups to take the virtues of the new styles for granted, and real shortcomings are bound to reinforce their skepticism or hostility. The proponents of a new style will be under continual temptation to fall back on propaganda, intolerance of criticism, exaggeration of achievements and concealment of mistakes, if they

have a monopoly of power, and on compromises whose costs make the original objectives unattainable, if they do not.

If one assumes that nation-states will continue to be the basic framework within which processes identifiable as "development" will be attempted and will succeed or fail, the final question is whether and under what conditions social forces will become dominant that will make the required choices, accept the required sacrifices, and hold to the thread of rational purpose.

2.

The setting within which developmental choices present themselves

(a) *Central elements in the international consensus on value-oriented development*

The most comprehensively normative-utopian among the many international formulations of criteria for development is the Declaration on Social Progress and Development approved by the United Nations General Assembly in 1969 as resolution 2542 (XXIV). The Declaration proposes, in considerable detail, the "elimination" of all the ills that afflict mankind and the provision of all the services that any sector of mankind might require, within a setting of freedom, equal rights, and participation of "all members of society". This Declaration is the culmination of a series of attempts to define "social development" as a reality separate from

"economic development" and hospitably includes such a wide range of the meanings that specialists in the different sectors of public social action have attached to the term that it is of little help towards distinguishing the central elements in the international consensus. The unanimous approval of such a sweeping text, which if taken literally would call for transformation of the practices and priorities of all the organized societies of the world, and the minimal attention that has been paid to it since, even in the secretariats of the international agencies, are worthy of note.

The pursuit of universalist "social"

standards for development could hardly go farther. Since then international efforts have taken a somewhat different direction, also foreshadowed in various earlier initiatives: towards the definition of a "unified approach" to development, conceived as a societal process in which "economic" means cannot be satisfactorily separated from "social" ends, and in which the meaning of what is done depends on the characteristics of the society in which it is done and the overall purposes of the dominant forces in the society.

The International Development Strategy mentioned above states that: "...qualitative and structural changes in the society must go hand in hand with rapid economic growth, and existing disparities — regional, sectoral and social — should be substantially reduced. These objectives are both determining factors and end-results of development; they should therefore be viewed as integrated parts of the same dynamic process, and would require a unified approach". Another General Assembly resolution of the same year — 2681 (XXV): Unified approach to economic and social planning in national development — specifies "the need to include in such an approach components which are designed: (a) To leave no section of the population outside the scope of change and development, (b) To effect structural change which favours national development and to activate all sectors of the population to participate in the development process, (c) To aim at social equity, including the achievement of an equitable distribution of income and wealth in the nation...". It hedges these general prescriptions by a clause

to the effect they "should be borne in mind in development analysis and planning processes ... according to the particular developmental needs of each country".

Most recently, the fifteenth session of the Economic Commission for Latin America in 1973 adopted as resolution 320 (XV) the "Quito Appraisal" of the International Development Strategy, which goes some distance farther in stating criteria for "integrated development" or "human development". Such development, according to the Quito Appraisal:

— Aims at a "new type of society", or "a social system that gives priority to the equality and dignity of man and respects and fosters the cultural expression of the population". "Social participation in all forms of the development process must be increased in order to achieve a juster society".

— Is incompatible with "traditional" social and economic structures and requires "qualitative and structural changes". The Appraisal does not define the "traditional" structures, but states that the needed changes "include the control and sovereign utilization of natural resources, the reform of land tenure systems..., the establishment of such forms of public or mixed ownership of property as each country may consider appropriate..., and any other type of substantive reform needed to secure that objective".

— "Cannot be achieved through partial efforts in particular sectors of the economy or the social system, but only through concerted progress in all aspects." "The very concept of development must be improved and the

fragmentary approach to economic growth and human development discarded... it is necessary to take an integrated view of all the social, economic and political determinants."

— Should not be identified with economic growth, which "has frequently failed to bring with it qualitative changes of equal importance in human wellbeing and social justice" and has coincided with "the continued existence of serious problems such as mass poverty, the incapacity of the system of production to provide employment for the growing labour force, and the lack of economic and social participation of broad strata of the population". However, "accelerated, harmonious and independent growth is essential to the success of these qualitative and structural changes".

— Should be self-sustaining and independent at the national level. However, when "a country simultaneously tackles all aspects of development and promotes the structural reforms needed to achieve integrated development, experience indicates that imbalances occur in the initial stages which make it difficult to continue the process. The social injustices and tensions which have accumulated over the years manifest themselves in demands which domestic resources cannot meet. In order to correct these imbalances, the international co-operation received by such a country should not be subject to restrictions...".

The Appraisal assumes that endorsement of the above criteria for "integrated development" by the Latin American countries is compatible with "a high degree of heterogeneity in their economies and societies" and also with

"different approaches to the development process, with each model having different options or methods of implementation", and with the pursuit of "medium and long-term policies... whose basic principles, both political and economic, differ substantially. Hence, there is no single model to which the appraisal can refer".

Taken together, the above criteria and suppositions constitute elements for a conception of development that is both value-oriented and "structural", but compatible with diverse combinations of ends and means. They call implicitly for a considerable amplification of action by the State, informed and given coherence by values and the pursuit of structural change. They assume that such action is compatible with the character of the internal social forces controlling the State. They assume that full "participation" by all strata of the population is not merely compatible with "integrated development" oriented by the State, but is an essential component of such development.

The Appraisal states that "the developing countries have adopted internal policies and made efforts to attain the goals and objectives stipulated" in the International Development Strategy. However, "imbalances", "tensions", and "demands which domestic resources cannot meet" have endangered or frustrated the efforts of the countries embarking on structural changes, this indicating a contradiction between the ideal of integrated policy and the ideal of full participation. The Appraisal indicates that up to the present the role of the international order has on the whole been negative: "the necessary

co-operation has not been forthcoming from the developed countries to complement (internal) efforts"; "countries undertaking structural changes in conformity with the IDS sometimes have to face hostility and economic aggression from abroad". Nevertheless, the Appraisal falls back on future international co-operation, governed by a "dynamic set of rules", to be achieved through united action of the developing countries, to resolve the contradictions between integrated policy aimed at structural change, limited resources, and the need for broader participation, or at least reduce to manageable proportions.

The criteria for integrated development advanced by the Quito Appraisal are more focussed and coherent as well as more flexible than those of earlier international declarations; they represent a clear advance over the conceptions of "economic development" as a process with its own inexorable laws and requirements, to be somehow tamed and humanized by "social development" governed by detailed universal norms derived from the social legislation and

services of high-income countries. Inevitably, considering the circumstances of its adoption, while the Appraisal calls for far-reaching changes in the role of the State and of national social forces, in the international order of relations between States, and in the relations between economic processes and human purposes, it does not face up to the questions of basic compatibility with the national and international order and of the capacities of these orders for self-transformation. It is open to the criticism that it requires a *deus ex machina* at the national level to bring order out of the clash of purposes and strategies of different groups and the complex repercussions, not necessarily wanted or intended by any group, of the economic, social, political, and demographic processes that are now working themselves out in each national society, plus another *deus ex machina* at the international level to meet the needs that cannot be met nationally, or that can be met only at a price — in terms of privations and compulsion — incompatible with the criteria.

(b) *Central elements in the previous international consensus on "development" as a process with uniform requirements*

As was indicated above, the interminable international discussions on development during the past three decades never arrived at clear agreement on the meaning of development and how to attain it, but in spite of the continual confrontation of propositions deriving from Marx and from Keynes and of practices ranging between the extremes of "central planning" based on State

ownership of the means of production and "market economies" restricting State intervention to a minimum of regulation and infrastructural investment, a partially explicit international consensus emerged on the requirements of "development" for societies labelled "underdeveloped" or "developing" or simply "poor". It is these requirements that are now coming under question, in

regard to their feasibility or their desirability or their meaningfulness, although even the most radical challenges can hardly reject them wholesale, or evade their central premise on the indispensability of much higher levels of productive capacity.

They can be summarized as follows:

- (i) *Accumulation.* Development supposes high rates of capital investment so as to increase future capacity for production of goods and services. For most national societies, accumulation must come mainly from domestic resources; main reliance for their mobilization and allocation may be placed either on the State or on individuals responding to economic incentives.
- (ii) *Industrialization.* No country can attain "development" as long as it remains predominantly rural-agricultural, although export-oriented agriculture may support considerable increases in per capita income and make accumulation possible. The literature often uses "industrialized" as a synonym for "developed".
- (iii) *Agricultural modernization.* "Traditional" systems of land ownership and rural social relationships are associated with low productivity, immobilization of human resources, unresponsiveness to market incentives. According to different conceptions the changes may be limited to modernization of incentives and productive techniques, or may involve revolutionary changes in property and power.
- (iv) *Standardization of consumer demands.* With many variations and qualifications it has been assumed that

development requires the bringing of continually wider strata, and eventually the whole population, into a national market for consumer goods, in which the rewards of sacrifice in the early stages of accumulation will be increasing capacity to acquire a wider range of industrially-produced goods, with rising production and consumption continually stimulating each other. The culmination of development is then mass private ownership of automobiles, television receivers, and electrical appliances.

- (v) *Entrepreneurship.* Development requires special kinds of responsiveness to economic incentives, capacity to organize large-scale production, innovate, and take risks. This function, according to different conceptions, may best be carried out by private entrepreneurs seeking profit, by managers acting on behalf of the State and compensated by power or pride in contributions to the good of society, or by a combination of the two.

(vi) *Technological and scientific diffusion.* Development requires continual technological innovation, based largely on scientific research. In view of the technological superiority of the rich countries over the poor and their vastly greater research capacities, the needs of the latter can be met mainly by selective borrowing. This requires "technical assistance" furnished by "experts" from the technologically advanced countries.

- (vii) *Universal education.* Development requires many kinds of specialized "human resources" and a population capable of grasping and responding to "modern" incentives. This requisite

can be attained only through the universalization of primary education and the expansion of many kinds of secondary, technical and higher education, along lines for which the "developed" countries offer models.

(viii) Provision of social services and social security. Modernization, urbanization, and associated changes accompanying development require a widening range of public services and protective mechanisms, in addition to education, to alleviate social tensions and enable individuals to function as "human resources", consumers and citizens. Views differ as to the priority to be given to such services and mechanisms, but even the most concentratedly economic conceptions of development admit their unavoidability. Once again, the "developed" countries offer models for the organization of social security, social welfare, public health, family planning, etc., that can be introduced and adapted to the extent that the stage of development permits.

(ix) Continually expanding participation in world trade. Development requires a high level of imports to meet the demands of industrialization and agricultural modernization, and rising incomes mean a demand for consumer goods that cannot be satisfied from domestic production. Thus exports must continually rise to pay for imports, the prices of exports must not undergo pronounced slumps, and, ideally, exports of manufactures must gradually gain in importance relative to raw materials, although volume and prices of exports of the latter will continue to be of crucial importance.

(x) Rising net financial flows from

"developed" (rich) countries to "developing" (poor) countries. Only in exceptional circumstances can the preceding requirements be met through the unaided mobilization of internal resources and through foreign exchange derived from exports. The development of poor countries requires some combination of financial grants, low-interest loans, and direct investments coming from the rich countries, with the needed proportions depending on the initial situation and development strategy of the poor country.

Different schools of thought have advanced many additional requirements for "development", ranging from the taking of power by a class capable of imposing determined modes of accumulation and production to the transformation of child-rearing practices in the family, as more basic than any of the above. Consensus on those listed, however, has been fairly general. Even the proponents of different priorities have had to argue, in order to get a hearing, that their proposals would contribute to the attainment of these requirements. It was accepted that the future world, to the extent that more and more national societies conformed to these requirements, would become more homogeneous, less conflict-ridden, and more capable of supporting satisfactory levels of welfare for most of its population.

In the course of national and international efforts to meet the requirements, and as a result of unplanned social and economic processes pointing in the same direction, most human societies have changed enormously since the 1940s. A different world order has emerged, in many respects more

interdependent, imposing more complex constraints on change in national societies than ever before. In other respects, paradoxically, the possibilities for autonomous voluntarist action, for better or worse, have widened, and also the possibilities for societal changes or breakdowns escaping from the control of any power centre, national or international. The deliberate political and economic constraints imposed by the world centres on the development of the periphery may be weakening, and the capacity of the centres to offer

the periphery coherent and attractive models for change is weakening more incontrovertibly, but other constraints inherent in the partial and distorted attainment of the development requirements listed above are becoming more formidable. The next stage in the present exploration will be to try to summarize certain central features of the world order that have emerged in the course of the struggle for development, to which declarations such as the IDS and the Quito Appraisal are reacting.

(c) Characteristics of the present world order in relation to the conventionally-defined requirements of development and the possibility of autonomous national choices of styles and strategies

An interpretative description of the world economic and political order in its present state of flux, in which the events of each year confound the expectations of the preceding one, would be a risky undertaking and beyond the pretensions of the present discussion. The most that can be done is to single out certain features that seem particularly relevant:

(i) Continual changes in the dominant preoccupations in the world centres are generating corresponding changes and increasing diversity in the forms of control, advice and co-operation through which the governments and interest-groups of these centres try to deal with the peripheral societies. A certain loss of confidence in previous prescriptions, or even of interest in the very theme of aided development, in the main centres coincides with increasing sympathy and support in certain smaller high-income

countries for original and autonomous styles of development elsewhere. A kind of vicarious utopianism has appeared which, although it may under-estimate or misjudge the real difficulties of value-oriented development in poor and dependent countries, does something to widen the options open to them. At the same time, the "visibility" of more specific developmental problems is shifting and dominant currents of opinion in the world centres continually urge, through the international organizations, new priorities on the peripheral societies. The most conspicuous examples are the rise of worldwide campaigns, backed by significant resources from the world centres, relating to "population" and the "environment". Equitable income distribution and full employment have similarly come to the fore, although without a comparable disposition in the world centres to

allocate resources to their attainment. With increasingly coherent tactics, the spokesmen of the peripheral societies seek to adapt the campaigns and resource availabilities deriving from the changing visibility of problems to their own conceptions of needs, *especially* for more favourable terms of trade and aid.

(ii) While the disproportion in per capita wealth and in power between the world centres and the periphery is certainly not diminishing the forms of dominance and dependency are changing and becoming in some respects ambivalent. The spread of industrialization and its increasing dominance by transnational corporations whose national affiliates are capable of self-financing transforms the previous patterns of exchange of raw materials for manufactured goods and renders obsolete the previous conceptions of "foreign investment". The latest technological innovations in the centres are increasingly remote from the needs and capacities of the peripheral societies, or possibly even from those of the centres (as in the case of supersonic transport) but the search for technological alternatives progresses very little. The low-income predominantly rural countries find themselves increasingly dependent on the high-income urbanized countries for food supplies, but the latter countries rather suddenly find that their own life-styles, with their reliance on automotive transport and high consumption of electrical energy, have led them into a trap of dependence on peripheral societies as well as an environmental nightmare. Economic aggression has become a more diversified as well as a more menacing weapon

than heretofore, and some of the peripheral societies are becoming able to use it as effectively as the centres. Both have the capacity of making "normal" functioning in other countries impossible by withholding supplies.

(iii) The processes of "development" or "modernization" in the peripheral countries, to the extent that they have taken place, and the rather compartmentalized economic and social programmes undertaken in their name, have invariably been characterized by polarization between groups able to "modernize" and benefit materially, and larger groups that do so only "marginally" or suffer absolute deprivation. In one way or another all of the programmes counted on to enhance welfare and generalize development — from industrialization and agricultural modernization to education, public health and social security — seem to contribute to this polarization, or "structural heterogeneity". Policies proposed specifically to improve the relative positions of the more marginal groups, such as community development, regional development, and agrarian reform, conform to the same pattern of polarized gains, or remain puny and impotent, or encounter structural resistance that destroys them. The problem is not simply that some parts of the national populations progress while others stagnate. The forms of "progress" impinge on the latter groups in ways that prevent them from "stagnating". The momentum of what has been done, the expectations of all social groups, and the differential access to power of the modernized groups make basic changes in the pattern of

polarized growth problematic, conflictive and costly, even if dominant political forces have a clear strategy for change, which is rarely the case.

(iv) As polarization emerges more clearly as a key characteristic of "developing" societies, and to some extent even of societies previously identified as "developed", and as wider strata of the population "participate", at least to the extent of becoming conscious of the impact of change processes and seeking means of defending themselves, the compatibility of "development" and "participation" and the viability of democratic institutions and processes comes under question. Whether the aim is to maintain the prevailing polarized style of development — if it is judged the only viable style — or to transform it, authoritarian and technocratic solutions come to seem unavoidable. The national armed forces, preferably guided by social scientists and planners, are measured for the role of *deus ex machina*, whether they want it or not, and even by sectors of opinion with no stomach for authoritarian rule. In the minds of groups seeking means of implanting a preferred style of development, it comes to seem more practicable to apply Disraeli's saying, "We must educate our masters", to the armed forces than to the people. Within the present world order, military leaders are trying to impose an extraordinarily wide range of styles of development in different countries, as a consequence of the failure of previous régimes to reconcile "development" and "participation". Such régimes present the likelihood of more coherent and original policy choices — sometimes to the point

of arbitrariness — than the régimes dependent on open political bargaining and compromise, but it remains to be seen whether such choices will be more consistently enforceable than the previous ones. Within the pattern of partial frustration of development, or unsatisfying "dependent development", the long-term trend may be cyclical rather than consistently in the direction of military-authoritarian solutions: the failure of political compromise leads to military takeovers, but the inability of the military and their technocratic-ideological advisers to cope with the complexity of the processes leads back to open political competition.

(v) The identification of the "modern" sectors of the populations of the peripheral societies with the standards of their counterparts in the advanced societies becomes more complex and ambiguous as this identification clashes with the crises of standards in their countries of origin. Interest-groups or organizations (from chambers of commerce to trade unions), political parties, academic structures, transnational corporations, bureaucracies, brands of manufactured consumer goods, mass media content: all these experience world standardization and simultaneous reactions against standardization. The polarized peripheral societies import ideological "antibodies" along with the traits of the "affluent" societies and also develop their own antibodies that are re-exported to the high-income societies and enter into their cultural-political conflicts. In this sense, a world society is taking shape, characterized not by the harmonious incorporation of standardized high production and high

consumption previously looked to as a consequence of "development", but by a self-contradictory combination of increasing assimilation of this pattern and increasing rejection of or frustration with it. In the *peripheral* societies the non-incorporation or marginalization of part of the population exacerbates

this contradictory process in two ways: by heightening the defensiveness of the "modernized" strata towards their privileged position, and by heightening the ideological rejection of dependent development. The two reactions can, of course, coexist conflictively in the same individual or the same policy formulation.

(d) *The position of Latin America within the world order*

For all the wide differences between Latin American countries, which will be discussed below, the region as a whole presents certain common features that differentiate it from the remainder of the so-called Third World and imply that its links with the world order are more complexly internalized, however precarious or unsatisfactory the resulting styles of development may be judged:

(i) The dominant classes in Latin America have been culturally and economically identified with the "Western" or European order since the sixteenth century. The colonial experience is remote in time, and since the nineteenth century national elites have formulated strategies for national "progress" or "development", based on their own views of the relevance to their countries of the economic, social, and political doctrines current in the world centres. Their strategies have included the deliberate stimulation of national identification along European lines, the improvement of quantity and quality of population through immigration of Europeans, the expansion of educational systems modelled on those of the "advanced" countries, and the taking advantage of the international

division of labour through exports of raw materials. While these strategies have changed over time to include industrialization, Latin American integration, etc., and while the favoured models among "advanced" countries have shifted, dependence of the elites on doctrines current in the world centres, combined with low valuation by the elites of the masses of the population as "human resources" for the kind of national advancement envisaged, has continued. Reactions of "indigenism", insistence on unique national paths to the creation of a new civilization, etc., have also been a recurrent theme since the nineteenth century but have lacked the support of vigorous non-European cultures and religions comparable to those of Asia and parts of Africa; they have exerted a significant influence on national development policies only in a few countries and for short periods.

(ii) Urbanization, dependent modernization, industrialization, and elaboration of the bureaucratic machinery of the welfare state have reached a point at which sizeable minorities of the population in most countries and possibly a majority in one or two are fully identified with the life-styles and

expectations of the modern consumer society. Expectations include not only access to expensive durable goods but also "modern" suburban housing, foreign travel, and higher education. At prevailing per capita income levels, satisfaction of these tastes for minorities that are much larger than the previous elites implies patterns of income distribution, patterns of distribution of public expenditures on services and urban infrastructure, and patterns of saving, investment and production that are just as remote from conventional conceptions of developmental priorities as they are from the publicly endorsed principles of social justice. The initiative for implantation of the new life styles has come mainly from the world centres through the transnational corporations and through standardized mass media content, but they have been readily internalized by the population strata having any capacity to do so. Similar processes have been at work in other regions of the Third World, of course, but for the most part the proportions of population affected are smaller, and the culturally or politically based resistance stronger⁸.

(iii) The national populations represent a wide range of differing degrees and forms of participation in or "marginalization" from the "modern" society. Social stratification has become more complex and the proportions of the population in "middle" or "upper" positions has increased in most countries, although the meaning of these positions is far

from uniform. The predominant character of the lower strata has changed with urbanization, increasing spatial mobility and access to mass communications, and with the partial disintegration of "traditional" rural power structures, but without any generalized decrease in the polarization between them and the fully "modernized" minorities. At the same time, the obstacles to national integration are less complex than in most other parts of the Third World. The national populations are not divided along linguistic, cultural, religious, caste or tribal lines in such a way that any developmental process involving differential advances and polarization between internal regions, urban and rural populations, and social classes generates conflict between readily self-identifiable groups, as in much of Africa and Asia and a few of the small Caribbean countries. The prevalence in the region of the latifundio-minifundio complex and exposure to the changing demands of export agriculture have prevented peasant cultures and forms of community organization from acquiring the capacity for resistance to change that they have exhibited in other regions, although these factors continue to be of some importance in the zones inhabited by linguistically separate "Indian" peasants. In general, the impact of present change processes on rural groups results in their disintegration and "marginal" incorporation into the lower strata of the national society, or in some cases in the appearance of modern forms of self-defence such as peasant unions, rather than in traditionalist, messianic, or cultural-

⁸See Anibal Pinto, "El Modelo de Desarrollo Reciente de América Latina", *Revista de Economía Latinoamericana*, Caracas, 32, 1971.

nationalist reactions. The rural population, while in most countries large and still growing, is a dwindling proportion of the whole, is in the main accustomed to wage labour and market relationships, and is continually drained of its more dynamic elements by out-migration. While it would be risky to extrapolate present trends into the long-term future, they suggest a continuing conflictive combination of homogenization of cultural attitudes and consumption expectations with polarization of incomes and of capacity to participate in the "national" society. The attention of all groups and strata will increasingly concentrate on the State as the most likely source of aid in meeting expectations. Localistic and *regionalistic* rivalries will continue to be prominent, but will centre on the distribution of central public resources rather than on separatism *vis-à-vis* the nation-state.

(iv) The per capita income statistics, which show the Latin American countries in an intermediate range between Europe and North America, on the one hand and Africa and Asia on the other, with some overlapping at the ends of the range, obviously combine the very different situations of the well-to-do "modern" minorities and the remainder of the population. However, the predominant traits of poverty in Latin America, except in some of the smaller and more rural countries, are intermediate between the traits of poverty in the high-income countries and in the very low-income countries. Poverty amounting to acute physical deprivation or semi-starvation and complete lack of access to educational and health

services is still the lot of millions of people in Latin America, but it is less prevalent than in much of Africa and Asia. The predominant characteristics of poverty are changing with urbanization and the expansion of State assistential action. Insecurity of employment and income, overcrowded housing in squalid environments, inability to stretch the family budget to cover a minimum "decent" standard of living, including purchases of manufactured consumer goods, the frustrations of limited and discriminatory access to educational, health and welfare services, come to the fore. In the larger countries, present income levels would permit the relief of extreme physical deprivation through State subsidies, special employment programmes, etc., without major changes in the style of development, but this would hardly affect the dimensions of poverty as a condition of relative deprivation and discrimination.

(v) As might be expected from the relatively high levels of urbanization, the prolonged internalization of the "Western" model of nation-state, and the relative weakness of alternative focusses for loyalty (ethnic or religious group, tribe, local community), a conscious acceptance of the State as final arbiter, as responsible for "solving problems" and "meeting needs", and as a legitimate target for blame if problems are not solved has become more generalized than in most other parts of the Third World. The State's assumption of responsibility for planning development, the influence of international standards, and the forms of political competition continually press the State to promise more than it can

perform, bearing in mind the resources and administrative mechanisms at its command and the capacity of different social forces to resist, evade, or distort public policies. The objectives of channeling resources into investment for rapid economic growth, helping the modernized urban strata to satisfy their consumption demands, and helping to raise the productivity and levels of living of the remainder of the population continually conflict with each other in practice, however reconcilable they may be in the proposals of planners. Policies that camouflage the real sources and distribution of public resources, that rely on chronic inflation, and that alternate manipulated self-help participation of the masses with repression become unavoidable. Different "problems" and "solutions" assume prominence with changes in régimes, then recede into the background, apparently because the State's solutions have proved ineffective while the growing dimensions of the "problems" do not have the catastrophic effects predicted (the wasing and waning public visibility of urban "marginal" settlements is an interesting example). For the most part, the political systems of the region have demonstrated considerable resilience and adaptability, underlying their surface instability, in juggling problems and responding to pressures. When the contradictions generated by a given direction of policy or political compromise seem insoluble, the dominant forces somehow reassert themselves to preserve the main features of the prevailing style of "development".

When one moves from generalizations about Latin America as a whole to

the examination of specific national situations, the societies fall into groups that suggest interesting hypotheses concerning the long-term viability of this prevailing style.

(i) The national societies at the highest levels of urbanization and per capita incomes, with inequalities in incomes and in distribution of services somewhat less pronounced than elsewhere, with low or declining rates of population growth, and with relatively extensive, formalized and long-continued political participation, have encountered the most disruptive and persistent political and economic crises of the region. In Cuba these crises led to a revolutionary transformation of the society and the emergence of an entirely different style of development. While pre-revolutionary Cuba is hardly comparable, in its extreme economic dependency on a single crop for a single market and in the associated political dependency, with the countries next to be mentioned, the pre-revolutionary Cuban society and economy were predominantly "modernized" and urbanized, the country was less heterogeneous structurally than the majority of Latin American countries, with extensive political participation and unionization, and it had relatively well-developed although notoriously inefficient educational and social security systems. The inability of the State to reconcile the pressures on its resources manifested itself in an eventually non-viable combination of corruption, repression, bureaucratism and violence. In two other relatively urbanized, modernized and participatory societies, Chile and Uruguay, inability to meet conflicting

demands or maintain satisfactory rates of economic growth has resulted in the disintegration of previously highly stable systems of political bargaining and the attempted restoration of the viability of the conventional style of development through authoritarian suppression of incompatible demands and pressures. In a fourth relatively urbanized and modernized society, that of Argentina, the outcome of a similarly prolonged crisis is still in doubt. The Argentine economy has shown more resilience, partly, no doubt, because of its greater size and diversification, but inability to mobilize consensus behind a coherent national strategy or to attain a stable system of political participation within the limits of the prevailing style of development has been as pronounced as in the other countries mentioned.

The attainment of respectable ratings in the conventional indicators of development and modernization — per capita income; urbanization; education; cultural homogeneity; population structures with declining fertility, low mortality, and moderate percentages in the youthful “dependent” age group — thus do not guarantee a more stable social order nor continuing progress in the direction of the “advanced” Western model. The examples cited suggest, on the contrary, that the attainment of such ratings in dependent societies can be associated with a prolonged crisis in which the economy, the political system, public services, and social relationships are less and less able to meet the demands made on them. Two cautions are appropriate, however: firstly, a comparison of ideal,

stable, socially integrated “advanced” Western societies with the apparent impasses of the “semi-developed” or “dependently developed” societies may be misleading or premature: indeed, the former societies may be entering impasses of their own not radically different from those of the dependent societies; secondly, the societies just described all have unique characteristics that may explain in part their difficulties, and they reached their situations of “semi-development” at specific historical conjunctures that are not likely to be repeated; thus it would be risky to affirm that they point to the future of the societies next to be described.

(ii) Five countries comprising more than two-thirds of the population of Latin America, while differing widely among themselves, correspond best to the generalized picture of polarized development and structural heterogeneity. All of them have relatively large populations — ranging from about 12 million to about 100 million — growing at rates around 3 per cent annually, and extensive national territories, parts of which are only beginning to be opened up for exploitation. Each has at least one urban centre of 2.5 million or more inhabitants growing by more than 5 per cent annually. Each has experienced considerable and diversified industrial growth and agricultural modernization, very unevenly distributed by internal regions. Each has an extremely heterogeneous population — compared to the first group of countries although not compared to the typical national societies of Africa or Asia — in regard to degree and forms of incorporation

into the "modern" economic and social order. In each, rapid modernization has increased the relative size of the groups enjoying the higher income and consumption levels, widened the gap between their levels and styles of life and those of the rest of the population, and introduced new elements of insecurity and partial breakdown of previous life styles in the rest of the population, whether or not absolute levels of living have deteriorated. All of these societies have experienced crises of political participation in recent years, but up to the present the dominant forces have managed to overcome the crises without long-term interruption of economic growth or transformation of its polarized character. It has proved feasible either to exclude the greater part of the population from political participation or to manipulate such participation so as to prevent the articulation of demands incompatible with the style of development.

Among these five countries, Venezuela comes closest to the first group in degree of urbanization, *per capita* income level, and various indicators of modernization, and it is in the same population size range as Chile and Cuba, but it differs profoundly in the rapidity with which the present configuration has been reached, the role of oil revenues in supporting polarized development while permitting simultaneous rapid growth of social services and public works employment, and the continuing high rates of population growth and rural exodus. Venezuela at present seems particularly exposed to the kind of prolonged crisis of participation and conflicting preferences

encountered in the first group of countries, but also particularly well endowed with potential means of postponing or evading the crisis.

In Brazil, the size of population and territory, the extreme diversity of internal regions, the dynamism of the economy, and the capacity of the dominant forces to exclude pressures incompatible with the style of development imply potentialities qualitatively different from those of the other countries with somewhat similar patterns of modernization, polarization, population growth, etc. Brazil has a bigger capacity to take advantage of opportunities for aggressive incorporation in the world economic order than any other country of the region.

Mexico also has enjoyed special advantages for rapid growth in having a relatively large population, an abundant low-cost labour supply, proximity to the United States market and tourist trade, and a unique system for the channeling of political participation. However, the ratio of resources to population, the size of the internal market, and the capacity to exclude incompatible pressures are less favourable to continued growth than in Brazil. To judge from past experience, however, the political system has a high capacity to absorb major structural changes without unmanageable crises.

In Colombia, economic growth, is more diversified spatially than in the other countries of the group, but it is less dynamic, and the crisis of political participation and conflict over the style of development itself is nearly as pronounced as in the first group of countries.

In Peru, the processes of polarized economic growth and dependent modernization that characterize this group of countries took their present shape more recently and are more limited in scope. The conditions for their continuation also seem more problematic. The population is smaller than in the other countries of the group except for Venezuela. Only about one third of the population lives in centres with 20,000 or more inhabitants, while the other four countries have percentages between 40 and 60. The "modern" sectors of production, the internal market for their goods, and the population groups fully committed to the prevailing style of development are correspondingly smaller and more concentrated in the single metropolitan agglomeration. Cultural heterogeneity is greater than elsewhere and "traditional" social relationships and modes of production more persistent. While the natural resource endowment is relatively promising and there is a good deal of unoccupied land, barriers of topography and climate hinder the expansion of settlement and exploitation of new resources more than elsewhere.

It would be risky to draw a cause-and-effect relationship between these factors which make the viability of the conventional style of development particularly doubtful — or at least make its probable costs in terms of dependence, marginalization, and repression of the majority that cannot be incorporated particularly formidable — and the coming to power of forces that propose radical changes in the conventional style in order to counteract polarization and dependency, promote national

cultural integration, and implant harmonious forms of participation to forestall unmanageable political competition.

(iii) The remaining eleven countries of Latin America share the features of smaller population size and lower levels of urbanization. Only one out of the eleven (Panama) has as much as 40 per cent of its population in centres with 20,000 or more inhabitants (a little below the regional average). The others are all below one third; four are below one fifth. Only one (Ecuador) has even as much as half the population of the smallest country in the second group. One might expect countries with these traits to be less advanced in the path of polarized development than the larger countries in the second group, less capable of meeting (at least on their own) the conventional requirements for "development" listed above, and more dependent for economic growth on the fortune in the world market of one or two raw material exports. The reality corresponds on the whole to this expectation, but the small countries show widely differing combinations of advantages and disadvantages internally, in their links with the world order, and in their links with their larger neighbours. With one or two exceptions, all of them have acquired a "modern sector" and a developmental momentum implying constraints on radical changes in the style of development similar to those noted above, although possibly weaker. Several of them have overall configurations that make one hesitate to include them in the category of "relatively less developed".

Three of the countries in this group have extensive territories and resource

endowments in relation to their small populations. All of these three are on the South American continent, juxtaposed with much larger countries belonging to the first and second groups. One of them, Ecuador, which has the largest population and second highest level of urbanization among the small countries, has a pattern of resource endowment, regional diversity, and economic and cultural heterogeneity similar to that of Peru. It also has the possibility of oil revenues on a scale that might enable it to reach a configuration similar to that of Venezuela or, under the guidance of dominant forces with a coherent strategy, support an original style of development with less traumatic accompaniments than would appear in the more urbanized and "modernized" countries. Bolivia has a particularly high ratio of unexploited land and natural resources to population, but particularly formidable and varied difficulties of topography, internal regionalism, cultural heterogeneity, lack of capital, and weakness or incoherence of the forces controlling the State apparatus that hinder it from using these advantages. Anomalously, it also manifests, to a degree unmatched even in the countries of the first group, a chronic crisis of organized demands from different groups and classes that can be reconciled with the real style of development only precariously and intermittently. In Bolivia, the societal obstacles to the implantation of a radically original style of development are relatively weak and the character of the demands on the State suggest that such a style might be the only way out of an impasse of permanent instability

and economic weakness. However, the capacity to devise and impose the necessary style or to mobilize capital, natural resources and human resources behind it is also weak. In Paraguay, the ratio of land to population is favourable, and problems of topography and cultural heterogeneity unimportant. With a low level of urbanization (a little over one fifth of the population in centres with 20,000 or more inhabitants) and with Argentina absorbing as migrants a high proportion of the population groups that would otherwise contribute to urban growth and modernization, both the pressures making for polarized development and the demands deriving from it seem to be moderate.

The other small countries — two in the Caribbean, six in Central America — are grouped in a way that makes them less dependent on large neighbours, more capable of group action, but also more narrowly constrained politically as well as economically by the world order. One of them, Panama, has a unique entrepot role that has permitted a relatively high level of urbanization and dependent modernization which, through the high visibility of the tie to one of the world centres, stimulates a nationalist reaction implying a certain degree of viability for an original and autonomous style of development. Another, Costa Rica, with relatively low urbanization and an economic base as narrow as the neighbouring Central American countries, along with an extraordinarily high rate of population growth, has attained a degree of modernization, cultural homogeneity, diffusion of social services, etc., that resembles those of the highly urbanized

countries of the first group, with sizeable problems of political participation and reconciliation of demands on public sector resources, but without an unmanageable breakdown of consensus or interruption of economic growth. The case of Costa Rica cautions against determinism concerning the limitations of small dependent societies. As in Uruguay in the past, certain historical circumstances permitted the emergence of a democratic and welfare-oriented national style that could not have been expected from the country's small size and dependence on exports of a few raw materials. In Costa Rica as in Uruguay, the prominent role of education has ambivalent implications for the future of the style; it stimulates occupational demands and modernized consumption patterns that the economic base cannot support beyond a certain point, but it may also prepare the youth to face the choices and fill the roles required for creative innovation in the style.

The remaining small countries, with their predominantly rural populations, high rates of population growth, low educational levels, dependence on agricultural exports, modest reserves of land and unexploited natural resources, external political constraints, and restricted or intermittent political participation might seem to have small possibilities for either polarized development or for the implantation of more original styles, at least in the absence of more effective solidarity among themselves. Nevertheless, most of them have attained rates of *economic* growth that compare favourably with those of the larger countries, have acquired minorities of some importance

identified with the "modern" consumer society, and are making some effort to extend social service and participation schemes to the rest of the population. The main obstacle in the way of their continuing along this path — assuming that the markets for their exports remain reasonably favourable and are supplemented by new sources of revenue such as tourism — may be their very high rates of population growth, eventually resulting in accelerated urbanization and unmanageable demands for services and jobs.

The above brief survey of national situations suggests that it is unlikely that any of the societies can incorporate the entire population into the "modern" life style at satisfactory levels of consumption and services, but it may be economically feasible for most of them to expand the incorporated part of the population considerably and at least to keep the levels of living of the rest of the population from deteriorating. This assumes that there is no major breakdown in the world economic and political order. If present favourable trends in raw material demands continue, the economic feasibility of continuation of the present style will naturally be strengthened, along with reluctance of the nationally dominant forces to undertake the risks of major changes. The likelihood that the style of polarized development will prove non-viable lies more in the contradiction with expanding political participation than in economic contradictions. The least manageable participation may be that of the relatively incorporated parts of the population, with their attempts to respond to ever-changing "advanced"

consumption models rather than that of the excluded or "marginally" incorporated groups with their relatively modest demands. Thus, paradoxically, the closer the approximation of the societies to the models of modern urban life styles, the more difficult it may become for them to resolve struggles over distribution of resources and strategies of development through open political processes.

It may be, however, that this kind of analysis misses the most important factors — in particular, the factors mobilizing political will behind a determined development policy or preventing the implantation of a coherent policy. The differing situations and trajectories of the national societies

cannot be explained satisfactorily on the basis of their demographic structures, social structures, resource endowment, degree of urbanization, etc., although there is sufficient correspondence to justify the above grouping. In each country, a long chain of cultural and historical processes and unique "accidents" shape present patterns and make certain developmental choices more accessible than others — victory or defeat in wars, revolutions generating national myths as well as changes in class relationships, the emergence of charismatic leaders capturing the lasting loyalty of major parts of the population, the persistence of traditional political affiliations and localistic sentiments under change conditions.

3.

Policy approaches to the challenge of "unified", "original", and "value-oriented" or "human-oriented" styles of development

The present paper supposes — with reservations — that development is a legitimately identifiable process subject to certain uniformities and preconditions, but that these uniformities and preconditions are not rigidly binding nor a satisfactory basis for prediction of the future. It also supposes that human reason and human values can and should try to shape the future into national styles different from those prevailing up to the present⁹. "Develop-

and Planning (op. cit., pp. 9-10): "Development" is "a perceived advance toward specified ends based on societal values" and also "a system of interrelated societal changes that underlies and conditions the feasibility of the advance". "The first sense assumes human capability of shaping the future for human ends. It also implies that the existing society has the right and the ability, through general consensus or through agents claiming to represent the best interests of the society, to make choices and enforce sacrifices in the name of development." "The second sense assumes that development is an intelligible phenomenon susceptible to diagnosis and objective propositions concerning the interrelations of factors and the probable wider consequences of changes in or action on key components of the 'system'."

⁹This position is set forth in the *Report on a Unified Approach to Development Analysis*

ment" cannot mean anything anyone wants it to mean, but, if it is to continue to serve as a focus for human aspirations, it must embrace a certain range of differing combinations of ends and means. Three main kinds of approach to the definition of these ends and means can be distinguished: the utopian-normative, the technocratic-rationalistic and the socio-political. Up to a point, these are complementary. The pursuit of more acceptable and viable styles of development must be referred to images of the future social order — in other words, to a "utopia" — and to norms setting limits on the means to be used. The quest for more rational and efficient techniques for mobilization and allocation of resources, provision of services, and accomplishment of whatever objectives the society sets itself is unavoidable, whatever caveats may be entertained as to the lengths to which this quest should be followed and the virtues of the market or of participatory democracy. Finally, social and political forces, however these may be defined, must choose the utopias and norms and create and apply the technocratic-rationalistic planning and administrative mechanisms.

For obvious reasons, the utopian-normative and technocratic-rationalistic approaches have received a good deal more attention in official and semi-official international discourse than the socio-political. The fact that such discourse is conducted by government representatives or by "experts" addressing themselves to governments, as the opening section of the present paper points out, promotes the supposition that the governments stand for rational,

benevolent and coherent entities preoccupied with development and the welfare of all their people, anxiously seeking advice on how to accomplish these ends, and capable of acting on the advice. If their behaviour does not correspond to this image, they deserve scolding for corruption, for the pursuit of irrelevant objectives such as military power, for slackness and evasiveness in pursuing their declared policies (in Gunnar Myrdal's words for being "soft States"), but the supposition remains that the "government" or the "State" has sufficient autonomy to do better if "it" wants to, or if "it" is sufficiently alarmed at the dire consequences of not doing better. Non-official academic and ideological discourse, particularly in the "developing" countries, shows a different world, in which external domination and internal distribution of power determine what governments can do, in which the governments are commonly incoherent aggregates of diverse personalistic, bureaucratic and other purposes, and in which it is naive or intellectually dishonest to expect them to act differently on the basis of moral exhortations or rational arguments.

The utopian-normative and the technocratic-rationalistic approaches have to a large extent been pursued separately, by different groups in the national governments and the intergovernmental organizations, but the advocates of each have tried to borrow strength from the other. The proponents of universalistic social norms have aspired to guide the technocratic planners and administrators, and have commonly exaggerated the power of the planners and the results to be expected

from "convincing" them of the importance of social justice or placing spokesmen for the "social" point of view in planning bodies. The planners and administrators have commonly tried to justify their techniques and enlist wider support by hinting at eventual contributions to the attainment of social justice.

In recent years both of these approaches — although numerous institutions continue to elaborate and teach them along previous lines — have been increasingly frustrated by confrontation with socio-political realities and increasingly complicated or adulterated by attempts to adjust them to these realities or adjust the realities to them. Apologies for both approaches fall back continually on what might be labelled the "bureaucratic passive voice" or on the wistful assertion of a "growing awareness" in order to evade the obligations to identify the socio-political agents to whom they are addressed. Enough has been said about the utopian-normative approach in previous sections of this paper. Its shortcomings when pursued in isolation (or its illegitimate uses as an evasion of reality) are cruelly exposed in a world in which the dimensions of injustice, insecurity and violence continue to grow while the list of "rights" to which all human beings are entitled by the votes of their governments continues to lengthen. The confrontation of the technocratic-rationalistic approach with recalcitrant realities is more complex, since its practitioners are more intimately involved in the machinery of the State, the demands of classes and groups, and the need of the political leadership for

"solutions" to "problems". One result has been an extensive literature on the "crisis in planning"¹⁰. As in the case of "development" itself, if the meaning previously attached to planning is discredited, it is assumed that "planning" must mean something else, and the alternatives proposed range from a continuous, diffused rationalizing activity in which the whole society participates, to the formulation of operational guidelines for short-term choices between projects. Public administration as a "discipline" shows a similar loss of confidence and diversification of prescriptions, combined with a similar clinging to faith that it must mean *something* generalizable and applicable to the rationalization of what the State does in the name of society. One critic has retorted: "If planning is everything, maybe it's nothing"¹¹.

¹⁰See, in particular, Mike Faber and Dudley Seers, Ed., *The Crisis in Planning* (Chatto and Windus for Sussex University Press, two volumes, London, 1972). See also section III of "Report on a Unified Approach to Development Analysis and Planning", *op. cit.*

¹¹"Despite intermittent disaffection with planning — the contrast between the plan and the nation mocked the planners — it was difficult for national elites to lose sight of the promised land. They so wanted an easy way out of their troubles. Besides, they soon discovered that the non-operational quality of planning could be helpful. ... Formal planning may be useful as an escape from the insurmountable problems of the day. ... If groups cannot be indulged in the present, they can be shown the larger places they occupy in future plans. Formal planning can also be a way of buying off the apostles of rationality by involving them in tasks that take them away from the real decisions. ... If formal planning fails not merely in one nation at one time but in virtually all nations most of the

From the standpoint of the present paper, the utopian-normative and technocratic-rationalistic approaches can

time, the defects are unlikely to be found in maladroit or untalented planners. Nor can a failure be argued rationally by saying that the countries in question are not prepared to behave rationally or to accept the advice of rational men called planners. That is only a way of saying that formal planning, after innumerable iterations, is still badly adapted to its surroundings. It cannot be rational to fail. To err is human; to sanctify the perpetuation of mistakes is something else. If governments persevere in national planning, it must be because their will to believe triumphs over their experience. Planning is not so much a subject for the social scientist as for the theologian". (Aaron Wildavsky, "If Planning is Everything, Maybe It's Nothing", *Policy Sciences*, Elsevier, Amsterdam, 4, 1973.) A similar conclusion was foreshadowed several years ago in Albert O. Hirschman's well-known comment on the planning activities of CEPAL: "... CEPAL's design has a utopian ring for societies where simple ministerial changes frequently mean total reversals of policies and where the policy makers themselves take pride in being unpredictable... CEPAL's detailed projections where all economic sectors are made to mesh harmoniously are in a sense the twentieth — century equivalent of Latin America's nineteenth century constitutions — and are as far removed from the real world. They are a protest, both pathetic and subtle, against a reality where politicians relying on brilliant or disastrous improvisations hold sway, where decisions are taken under multiple pressures rather than in advance of crisis and emergency situations, and where conflicts are resolved on the basis of personal considerations after the contending parties have revealed their strength in more or less open battle rather than in accordance with objective principles and scientific criteria". ("Ideologies of Economic Development in Latin America", in A.O. Hirschman, Ed., *Latin American Issues: Essays and Comments* (New York, Twentieth Century Fund, 1961.)

escape from the blind alley of verbalism and ritual action only to the extent that their proponents relate them to socio-political approaches that identify agents and propose strategies consonant with the values, interests, and capabilities of these agents. This position, however, is vulnerable to criticism from several directions; it certainly does not offer any straightforward or universally "applicable" "solution" to the problem of advancing towards original and value-oriented styles of development. The kinds of agents of development that are sought and the range of choice attributed to them in the shaping of a style of development naturally depend on the conception of development and the interpretation of the nature and functioning of human societies. There is no *a priori* reason to assume that the agents "needed" for an acceptable and viable style of development will emerge in any given society, or that, if they do emerge, they will be able to accomplish their "historic mission", or that if they do accomplish such a mission, the society will be unequivocally and permanently better of than before.

Nor does it seem necessary to assume *a priori* that the same kind of agent, whether collective and acting out a predetermined role, or individual and with a large measure of free will, must play *deus ex machina* in all societies, as most schools of theory and ideology assert. The would-be intellectual agents of development — the last of the five categories distinguished below — might well assume that any of the categories can be decisive in certain conjunctures but marginal or even illusory in others. The five categories are as follows:

(i) Social classes and groups that fill key roles in the "working out" of a conventionally-defined style of development, on the basis of their relations to production and their collective views of their own *interests*: entrepreneurs, investors, technological innovators, technicians, "middle classes", workers, etc. Collective agents such as these can fill their roles more or less adequately, or can find that the economic and social structure or the terms of dependency are incompatible with the filling of such roles adequately, but the associated conceptions of development do not allow for major creativeness or voluntarism in changing the style, whether the underlying conception is Marxian or non-Marxian. A large part of the discussion of styles of development in Latin America up to the present has consisted in attempts to identify plausible collective agents, to measure the adequacy of existing classes and groups to fill roles defined on the basis of previous examples of "development", and to explain why the classes and groups have rarely seemed to carry out the tasks assigned to them: take, for example, the persistent expectation that an "industrial bourgeoisie" would remove a "landlord oligarchy" from its path by promoting agrarian reforms. The discussion has tended to reify the classes and groups looked to as collective agents, and in many cases, the agents to be discussed next seem, instead of "representing" them, to have brought them into being or into a distorted kind of self-consciousness for their own purposes.

(ii) Individuals or small groups that articulate the demands of larger groups

or classes, act as brokers, and mould public opinion: politicians, leaders of trade unions and other interest-group organizations, journalists, religious leaders, etc. In view of the relative lack of coherence of the larger groups or classes, agents of this kind are able to play relatively autonomous roles, but at the price of limited and precarious real capacity to enforce demands and influence change processes. Their apparent importance is likely to be suddenly inflated and deflated, as in the case of populist leaders elected to the presidency with large popular votes and then easily forced out of office. Their influence may depend more on their ties with the kinds of agents next to be discussed than on the groups they aspire to represent. As "agents of development" their effectiveness is limited not only by these factors but also by the importance of brokerage and manoeuvring in their roles. They are likely to view the advocacy of a "style of development" as an additional tactic to lend plausibility to the role or to reinforce more concrete objectives, rather than as an overriding purpose.

(iii) Individuals or small groups holding power deriving from control of armed forces, ownership of capital, or representation of one of the dominant world centres. Since the power of these potential agents does not depend on ability to mobilize support from part of the population and build coalitions, they might be expected to be in a position to act more coherently (or arbitrarily) in pursuit of a style of development than the agents in the second group. Their *applicable* power, however, is limited by several aspects of their own situations: (a) Their

primary power rests on a specific conjuncture and can suddenly disappear; the military leader can be ousted by his subordinates, the capitalist can be crippled by a financial crisis, the world centre may be diverted by internal problems or its overall political strategy may shift so as to undermine the position of its representative. (b) The power holders' values and conceptions of their own roles do not usually extend to the implantation of an original style of development; they are more concerned with the preservation of existing order and warding off threats to their privileged position. (c) Their detachment from the representation of large classes or groups limits their capacity to induce the population to act in accordance with their objectives. Once they set themselves the task of implanting a coherent style of development, they must enlist the aid of agents of the second type, attempt to fill these roles themselves, or find effective means of isolating the population from political appeals and interest-group *representation*.

(iv) The chief of state or national executive: the individual or collective entity formally responsible for public decision-making, appointment of public functionaries, broad choices concerning allocation of resources, formulation of guidelines for development. This entity is the conventional target for developmental advice, the modern successor of Macchiavelli's Prince. Utopian-normative and technocratic-rational prescriptions are formally addressed to the Prince; a good deal of the more recent socio-political discussion addresses the question: How to give him advice

that he can use, on the assumption that he is playing a difficult game with limited "political resources" and inadequate information?¹² In practice, the Prince may turn out to be elusive, even in authoritarian settings; his formal representation decides very little and absorbs hardly any of the advice showered on him; the real sources of decisions are dispersed and hidden¹³.

¹²In particular, Warren F. Ilchman and Norman Thomas Uphoff, *The Political Economy of Change* (Berkeley and Los Angeles, University of California Press, 1969). According to their "simplifying assumptions", "first, the statesman has at his command limited resources, in varying amounts and types, with which to implement choices affecting the character and quality of the polity's collective life; second, as a result of the division of labour that defines authority roles in a society, the statesman alone has the resource of authority at his disposal; third, the statesman wishes to remain in authority; and fourth, the statesman, to realize his valued ends, will make choices that formally aim at increasing the productivity of his political resources" (p. 33). "In the face of frequent mutual exclusiveness of demands and the persistent scarcity of resources, the statesman has various options. He may choose to meet some demands wholly or in part. Some demands he will ignore or explicitly reject. Sometimes when a demand from the sectors cannot be met, the statesman may seek to substitute resources that he thinks will be temporarily acceptable; ... He may employ coercion to remove the effects of certain demands, or he may institute education to remove the causes. ... Given the necessity of choices, the statesman must figure out on whom, how much, in what combination, when, where, why, and for what return the regime's scarce political resources should be spent" (p. 38).

¹³"There is, as a rule no single and invariant 'locus of sovereignty'. Sovereignty is shared among various groups in different constellations at different times. ... The

(v) Individuals or small groups aspiring to explain the functioning of a society articulate images of preferable future societies based on their values and on their diagnosis of the existing situation, formulate corresponding strategies, and enlist support from one or more of the preceding types of agents. A well-known remark by John Maynard Keynes summed up forty years ago the potentialities, shortcomings, and dangers of their influence on the other agents: "...the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.

Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and

even agitators apply to current events are not likely to be the newest¹⁴".

These last "agents of development" include the proponents of the utopian-normative and technocratic-rationalistic approaches discussed above, to the extent that these try to confront the socio-political application of their prescriptions. They notoriously offer a bewilderingly wide range of prescriptions, none of which have as yet been incontrovertibly successful in their contacts with reality. They fall into three roughly distinguishable groups: the planners, the reformist-meliorists, and the revolutionaries.

The planners, as the most conspicuous representatives of the technocratic-rationalistic approach, have already been discussed. For a brief period the impression gained ground in circles concerned with development that neutral techniques had been devised or were on the point of being devised that could be "applied" by any government taking them seriously so as to bring forth a predictable product — "development". This impression has gone by the board, and the planners have been scolded repeatedly — and have scolded themselves — for their isolation from political realities and the inadequacy of their techniques.¹⁵ They have tried to

¹⁴John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York, Harcourt Brace and Co., 1936, p. 383-4).

¹⁵The following remarks by Dudley Seers are representative: "... his approach is likely to be static. The planner's university education is not likely to have provided him with much help in thinking about how economies operate at different levels of development (and with different institutions). He is hardly

existence of a cabinet (or a junta) may conceal the extent to which the decision-making process is, in fact, dispersed". (Colin Leys, "A New Conception of Planning?" *Crisis in Planning*, *op. cit.*, Vol. I, p. 60.)

define their relationships to political agents, to associate themselves with "participation", to find means of transforming rather than furthering the prevailing style of economic development. The question then arises, as Wildawsky suggests in the quotation above, whether they retain any plausible case for remaining a "discipline" with common techniques, offering definable services to public policy, whether they are not merging into the other categories of intellectual agents of development. To the extent that the planning approach remains distinct, and its practitioners do not resign themselves to ornamental roles and academic exercises, it supposes the possibility of completely rational management of human affairs in pursuit of quantified goals... if only the correct prescription can be discovered and the right agents convinced of its

correctness and marshalled to apply it.¹⁶

The reformist-meliorists have in common a distrust for utopias, infallible technocratic prescriptions, and catastrophist demonstrations that a prevailing pattern of growth and change cannot continue because it functions unjustly and inefficiently. They aspire to understand socio-economic-political structures so as to work within them for value-oriented ends, on the supposition that these structures are never going to be perfectly rational and oriented to human welfare, on the one hand, nor irremediably oppressive and incompatible with value-oriented development, on the other. National consensus on societal goals is not to be expected.¹⁷

prepared, therefore, to look at the economic, let alone the social, realities and ask how the resources of the country might be mobilized for change — as some politicians would really like him to do... It is especially likely ... that the planner will fail to understand the extent to which political realities determine the geographical patterns of government expenditures or the sources of foreign aid. ... His social life brings him into contact with the (usually articulate) residents of the capital; so indeed does his official life. ... Yet the population of the capital is very different in income, occupation, etc., not merely from that of the countryside, but also from the public in other cities. ... the planner will tend to incorporate in his model the myths prevalent in the capital about the consumption and production functions of the rest of the country. ... Perhaps most significant of all is the planner's attitude to the quality of the statistics he is using ... the

economics student is taught to handle numbers as if they were objective facts, instead of being, as they usually are, nothing more than enlightened guesses". ("The Prevalence of Pseudo-Planning", *The Crisis in Planning*, *op. cit.*, Vol. I, p. 25-28).

¹⁶"If planning is a universal tool, planners find it reasonable to ask why their countries cannot live up to the requirements of rational decision-making. If planning is valid, they feel, nations should adjust to its demands rather than other way round. To save planning, planners may actually accept the blame. For if better behaviour on their part would make planning work, the solution is not to abandon plans but to hire more talented planners." (Aaron Wildawsky, *op. cit.*).

¹⁷"There is no such thing as a collective national 'objective function'. There is rather a complicated mix of goals, which may be understood partly in terms of a limited number of themes around which there is something like consensus or for which there is at least a substantial majority support, but which for most of the

Uncertainty is a permanently unavoidable concomitant of human affairs, and development is an open-ended process calling for flexible tactics to take advantage of opportunities as they present themselves. The reformist-meliorists prefer to act in societies with open political competition and articulate interest-groups, but they are not surprised nor moved to withdraw from attempts to influence policy if these conditions are not present. They do not see revolution as a precondition to an acceptable style of development, but if revolutions occur they view them as new concatenations of challenges and opportunities, to be studied sympathetically. The reformist-meliorist outlook permits a subtle appreciation of the complexities of policy-making and the ambiguities of most change processes in terms of their impact on human welfare, but it also supports a certain Panglossian smugness, a predisposition to find reasons for affirming that all is for the best, if not in the best of all possible worlds, at least in as good a world as humanity has any reason to expect, and that incremental reforms combined with human genius for muddling through will gradually make it a little better.¹⁸

time is fluid and changing. At different moments, different groups have priority and different perceptions of self-interest and collective interest dominate. The planner's problem is to be able to build plans around a limited number of goals, isolated from the rest, for which a necessary minimum of support appears to be assurable during a necessary minimum period." (Colin Leys, "A New Conception of Planning?", *Crisis in Planning*, *op. cit.*, Vol. 1, p. 72.)

¹⁸Albert O. Hirschman has labelled this approach "reform-mongering", and has

In practice, reforms and spontaneous developmental processes that have been hailed as shining examples have so often later collapsed or stagnated that the reformist-meliorist approaches, like the technocratic planning approaches, are less credible than a few years ago. At best, they offer no comfort to the international demands for an immediate end to poverty and injustice. Nevertheless no convincing real alternative is at hand for the international organizations and the "experts" aspiring to influence policy within concrete national situations — however much intellectual allegiance they may owe to utopian-normative and technocratic-rationalistic schemes.

The revolutionary or "counter-planning" outlook — to the extent that it is not contaminated by technocratic or reformist-meliorist hopes — starts from the premise that the existing socio-political order is radically incompatible with a value-oriented style of development, or with full unfolding of the human potential. Therefore — depending on the diagnosis of the stage this order has reached, the way it functions,

been one of its most avowed and ingenious practitioners. See, in particular, *A Bias for Hope: Essays on Development and Latin America* (New Haven and London; Yale University Press, 1971). The writings of Aaron Wildavsky, John Friedman, and Albert Waterston, along with most of the contributions to *Crisis in Planning*, *op. cit.*, offer variants on the approach. The most explicit formulations of it come from the English-speaking countries. Elsewhere, there seems to be more reluctance on the part of persons concerned with development policy to acknowledge it as a guiding principle and as a virtue, although their practical tactics cannot help following it.

and the constraints imposed on national action by the world order — the primary task is either to demolish it or to promote its ripening to a point at which demolition will become feasible. The agents that have been previously assessed — classes and groups, their mobilizers and spokesmen, holders of primary power, the personified State or national executive — and the policies advanced by technocrats and reformist-meliorists are then assessed in terms of their potential contributions to demolition, the accomplishment of stages of “development” leading to ripeness for demolition, or the strengthening of the existing order against demolition. The place of the agents in an eventual value-oriented style of development and the concrete policies required recede to a secondary level of speculation or become confused with the immediate instrumental role of agents and policies. In relation to national societies undergoing polarized and dependent “development” the revolutionary outlook is bolstered by the obvious and persisting lack of correspondence of the existing situation with human values, and the abundant evidence that the best-intentioned technocratic and reformist-meliorist schemes are either ineffectual or contribute to the polarization between classes and groups. At the same time, the outlook is fragmented and frustrated by the failure of the societies to meet the preconditions for revolution set by the theories underlying the revolutionary outlook. The “proletarian” class that should be the grave-digger of the existing order is not growing markedly in relative size nor organizational coherence and seems more disposed to uphold the order

than to overturn it. The “marginalized” or “sub-proletarian” strata whose well-being seems most incompatible with perpetuation of the existing order, in their ambiguous relations to the systems of production and employment and to the State, respond poorly to coherent revolutionary appeals. Moreover, the pervasiveness and complexity of present economic, political and cultural interdependence with the world centres suggests that demolition of the existing order at the national level will either be altogether impracticable or will imply costs in terms of societal disruption, repression and enforced closure of the society, that would make posterior value-oriented development problematic.

To the extent that this last constraint is acknowledged the national revolutionary must take into account international as well as national “ripeness” for change.

The revolutionary rejection of the existing order as a framework or starting point toward a style of development deserving support can obviously lead to a wide range of different tactical conclusions. The revolutionary can concentrate on the task of immediate demolition, or at least of making the existing order unworkable, on the assumption that this will help generate the preconditions for transformation.

Or he can try to redefine the preconditions, experiment with tactical alliances, and await favourable conjunctures in a manner indistinguishable from the reformist-meliorist approach except in the underlying suppositions. Or he can try to create and mobilize support for a utopia so compelling that its appeal will outweigh unfavourable objective

conditions. And the reformist-meliorist tactics may, in the end, even find some variants of the revolutionary outlook

positive in their capacity to generate a dynamism that their own views of needed changes require but cannot muster¹⁹.

4.

In lieu of conclusions

The above exploration of approaches to development, starting from the question "Who is approaching what?", has encountered many different would-be agents acting within many different combinations of opportunities and constraints, in pursuit of an objective that is continually being redefined, falling back on verbal and organizational rituals for lack of ability to foresee and control the course of events, and sometimes violently rejecting reality for its failure to conform to their concepts and values. One finds, internationally and nationally, a chorus of agreement on the need for "unified", "human-oriented" approaches to development, combined with real concentrations of power, resources, and public attention on aims that are either irrelevant to such approaches or obviously incompatible with them. One finds that the promotion of "development" has become an industry in which supply creates its own continually diversifying demand for "experts", in which conferences beget conferences and declarations beget declarations, in which major "problem areas" incorporating different conceptions of developmental priorities continually hive off organizationally, receive symbolic recognition in "years", inflate themselves to cover all aspects of "development", and spawn infinitely ramifying co-ordinating mechanisms.

Under these conditions, explorers sent out with instructions to find a "unified approach" to development risk assuming two folkloric roles at once — that of the blind men describing the elephant and that of the mice discussing how to bell the cat.

Such an exploration is inevitably unsettling to the proponents of utopian-normative, technocratic-rationalistic and socio-political approaches, to the revolutionaries as well as the reformists. At the end, all on them can be expected to retort: What positive, practical proposals do you have? The present paper, of course, does not set out to demolish previous How to Develop prescriptions and then propose an infallible new one, nor to reject previous societal candidates for the honour of leading the way to development and then nominate different agents who can

¹⁹"... there is a special justification for the direct search for novelty, creativity, and uniqueness: without these attributes change, at least large-scale social change, may not be possible at all. For, in the first place, the powerful social forces opposed to change will be quite proficient at blocking off those paths to change that have already been trod. Secondly, revolutionaries or radical reformers are unlikely to generate the extraordinary social energy they need to achieve change unless they are exhilaratingly conscious of writing an entirely new page of human history". (Albert O. Hirschman, *A. Bias for Hope, op. cit.*, p. 28.).

really do the job. As was indicated at the beginning, this paper is a personal by-product of a continuing policy-oriented research project that has formulated certain proposals, without pretension to the discovery of a developmental panacea. These proposals which in the main select and re-combine ideas already current in international developmental discourse, are being published elsewhere.

This paper does not argue that any of the approaches it describes are illegitimate or altogether on the wrong track, although it does suggest that each of them in different ways lends itself to over-simplification and mystification. It really points to an existential approach to development, in which the would-be agents should cultivate an awareness that theirs is a possibly Sisyphian task of trying to impose a measure of value-oriented rationality on realities that will remain permanently recalcitrant to such rationality. All societies that survive will have to strive to "develop", in the sense of enhancing their capacity to function over the long term for the well-being of their members. None will ever reach a blessed terminal state of "being developed". Apparent success may, in the long term, lead into a trap of relative incapacity for further innovation. From this point of view all national societies at all points of time and at all levels of poverty or prosperity confront a certain range of accessible alternatives with different combinations of advantages and disadvantages. The capacity of their dominant forces to choose specific alternatives depends not only on objective conditions but also on their subjective appreciation of

these conditions and on the momentum of what has already been done. Choices or failures to choose are continually closing doors and opening different ones. If opportunities are not seized, if choices do not correspond to realities, if capacity for adaptation and innovation fail, then in the words of W.H. Auden, "History to the defeated may say alas, but cannot help or pardon". Neither can the international development movement.

The international demand for a "unified approach" is aimed at interpretations and strategies of development more directly oriented to social justice and the meeting of basic human needs than heretofore. Such interpretations and strategies will not be any more "unified" in a literal sense than their predecessors. In fact, they are bound to be more diversified than the strategies concentrated on maximization of investment and production, in their striving to reconcile multiple objectives, respond to differing national potentialities and values, and enlist creative popular participation. The change of focus from a "unified approach" to exploration of the viability and acceptability of differing "styles of development" within specific national settings recognizes this. The attempt to introduce the theme of "styles of development" into international discourse, however, is not immune from the temptation to seize upon verbal novelties, new packaging for old prescriptions, token solutions that do not match the magnitude of the problems to which they are addressed or the intentions of the power structures that would have to apply them. The present

paper from its vantage point within international developmental discourse, has been — perhaps obsessively — preoccupied with this temptation. It looks back over a quarter of a century of international reports speaking of successive “growing awarenesses” of the need for more “balanced” or “comprehensive” approaches to development. If awareness had really grown at such a rate the international community should have attained total enlightenment by now.

Ideally, the “unified approach” should embrace the whole human race and the international community should attach a positive value to diversity in styles of development, if only for the sake of experimentation and cross-fertilization, as long as they do not diverge grossly from the international consensus on human rights and values. Within these limits, each national society should be free to pursue its own style and to count on the co-operation it needs to do so. In practice however, no national society is in a position to evolve its own style without careful attention to external constraints and manoeuvring within the limits of the practicable. The meeting of needs through international co-operation remains precarious, inhibiting, and in part illusory; national societies striving to develop cannot dispense with such co-operation, but neither can they lean on it, particularly when they leave the conventional paths. Finally, the very conception of “national

societies” “choosing” styles of development is of dubious applicability to many of the countries now on the world stage. The recognition of the legitimacy of alternative styles of development and of the possibility of value-oriented choice is a step forward from the conception of a single path to be discovered and followed, under penalty of permanent backwardness, but it leaves more questions than it answers. The present paper is intended mainly to stimulate would-be agents of development to preoccupy themselves with these questions, and it is appropriate to return to some of them at the end: Who is to choose a national style of development? Who gains and who loses? Are the dominant social forces able and entitled to commit a society to a given style? Will styles of development corresponding to the international norms for social justice set forth above, within the limits of austerity and sacrifice set by national resources supplemented by problematic external co-operation, really be acceptable to the articulate and organized population groups whose acquiescence will be essential, or even to the ideologists and planners who are calling for more equitable and autonomous styles? Will national societies in the real world be able to attain the degree of consensus and rational organization called for except at a price that will distort the new style into something quite different from the image of the just and free future society informing it at the beginning?

Power and development styles

*Jorge Graciarena**

This article makes a critical analysis of the various ways in which the concept of styles of development has been used, especially by those participating in the recent efforts to shape a unified approach to development. First of all, it briefly summarizes the main stages in the evolution of recent thinking on this matter, beginning with development strategies defined from a strictly economic point of view. It goes on to describe how social aspects — education, health, housing, social security, etc. — were gradually added, while more recently attempts have been made to incorporate elements of a sociological and political nature. Finally, a critical analysis is made of some of these attempts (especially those based on an analysis of the agents of development), and the article concludes with a definition of the concept of styles of development and an enumeration of the criteria which should be used as a guide in their analysis.

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I. Introduction

This exploratory paper refers to some aspects — both methodological and substantive — of the idea of “styles of development”. Since the use of this concept has become familiar in recent years and the writers using it for different explanatory or instrumental purposes are already quite numerous, these notes, which merely aim to identify some specific problems and raise certain queries, deal first with some recent contributions in this field, mainly in connexion with the “unified approach”,¹ and then go on to explore some substantive aspects.

It may be noted that in the whole group of contributions in question there is nothing resembling any reasonable degree of methodological integration. On the contrary, comparison of them reveals a certain diversity, if not confusion, in the use of these synthetic categories or conceptual constructions. Possibly this discrepancy is inevitable, considering that the similarity of the terms used conceals marked differences in the theoretical and methodological assumptions, in the actual areas consider-

¹The most recent studies on the unified approach project include the United Nations *Report on a unified approach to development analysis and planning, Note by the Secretary-General (E/CN.5/519)*, 5 December 1974. On a more critical note is Marshall Wolfe's important contribution, contained in this same issue, entitled “*Approaches to development: Who is approaching what?*”. From a different but also critical angle is the valuable study of the unified approach by J. B. W. Kuitenbrouwer in *Premises and implications of a unified approach to development analysis and planning*, United Nations Economic and Social Commission for Asia and the Pacific (SD/BP/3), 9 July 1975.

red in the analysis, in the value judgements involved, and in the underlying ideological and intellectual origin. It is certainly not our intention to try to unify these differences, since such eclectic attempts generally prove fruitless. If observed closely, this very diversity may be the source of a new wealth of content and may stimulate us to gain a more thorough grasp of this elusive phenomenon of development. On the other hand, it could also involve considerable confusion between present and future, reality-based and value-based judgements, ideology and utopia, and not less between levels of analysis. To put so many different concepts together might bring serious disadvantages.

This is not the moment to investigate the origins of these concepts — an erudite undertaking which would be foreign to our purposes — but it is not out of place to say that the need for this has arisen mainly since the late post-war period, when development was seen to be a complex and fascinating process, full of facets and dimensions which it was necessary to synthesize. The original models, or at least the most widely disseminated ones (Domar-Harrod, for example), were economic and very simple². Shortly afterwards, sociologists, political scientists and historians joined

²This does not mean that the long tradition lying behind these synthetic concepts relating to both economic growth and social development has been overlooked. Their origins go at least as far back as Quesnay and Adam Smith and are also contained in the intellectual contributions of such notable figures as Ricardo Marx, Max Weber, Sombart and Pareto, who explained in various ways the growth dynamics of the capitalist "model" or "system". They all felt the

the movement started by the economists and thus began the proliferation of models and styles which is still vigorously continuing today. So far, the efforts made to establish and demarcate the theoretical location of these categories and to define their relations with other similar categories have been few and unsuccessful. Greater progress has been made in carrying out more specific studies identifying national and sub-regional types and models suitable for an empirical approach to the problem.

The United Nations' concern to find a "unified approach" to explain the development process goes back several years. As far back as 1970 the Economic and Social Council and the General Assembly called for a fresh exploration to seek "a unified approach to development analysis and planning". Implicit in this request was "a judgement that the many previous attempts did not penetrate deeply enough into the reasons why the processes of economic growth and societal change... are having such ambiguous consequences for human well-being, and why the disciplines of development analysis and planning from which so much was expected a few years ago are demonstrating so limited a capacity to explain or direct these processes of growth and change³".

need for sufficiently broad categories capable at the same time of providing an insight into the essential nature of the complex overall development process.

³United Nations, *Report on a unified approach to development analysis and planning* (E/CN.5/477), 25 October 1972. For further information, see United Nations, *International Social Development Review*, No 3, 1971.

The result of this pragmatic concern, both in international agencies and in academic and intellectual circles, has been a considerable volume of studies of widely varying value which already form a copious bibliography. Many of the original problems persist, however, and the progress achieved falls far short of the hopes placed in these efforts. Indeed, it might almost be said that the frustrations seem to be increasing inasmuch as the original misunderstandings are growing instead of diminishing.

Thus, not a few of the essential questions as to what the term "style of development" means still persist, and the efforts to answer them have been unsuccessful. It might rather be suggested — perhaps over-pessimistically — that some difficulties have increased and that the confusion regarding terminology is worse than before, partly owing to the active (and no doubt involuntary) contribution of the various inter-

national technical groups concerned with the unified approach project, which have contributed imaginatively and generously to the profusion of nouns and adjectives currently in use, as pointed out with some irony in the aforementioned study by Marshall Wolfe. There is something smacking of magic about these pretensions to solve substantive problems, underlain with complex theories of development, by means of a play of words and terms which probably do more to obscure them than otherwise. When the word styles was first used, not a few believed that this meant the end of a stage in the process of trial and error in development thinking based on value-oriented and ideological positions and expressed in obsolete terminology, and that a broad and promising avenue was opening up towards the future. This has not been the case, however, and the old problems have been cast in a new mould without this amounting to anything but a nominal change.

II.

Some heterodox positions

When we refer to development styles (or models), a number of fundamental questions immediately arise: what does this concept mean, to what aspect of reality does it relate? What place does it occupy in the theoretical analysis of development processes? What are its fundamental and secondary elements and what kind of relations exist between them? In what time context does it fit? In other words, is it a static or a dynamic

concept, a synchronic or a diachronic problem? And — not to make the list too long — what is the best way of dealing with the problems involved? The questions do not end here, but these will suffice to show the sort of difficulties involved in examining the various documents and studies relating to the unified approach project.

Strictly speaking, the first problem is one of method, and relates to the

definition of the term, i.e., the significance given to it. I have searched unsuccessfully in the various studies analysed for a clear-cut definition or description of this central concept. There can be no denying that some highly interesting elements and lines of thought have emerged which might be useful in an attempt to reconstruct the basic ideas underlying the voluminous output on the subject. A whole series of ingenious classifications relating to a variety of possible viewpoints from which the development process may be analysed have also emerged. At any rate, it is known that the question of development should be dealt with by means of a unified approach, which should globalize and integrate the partial viewpoints of economic, social, political and cultural development. Whether or not this integration of viewpoints has been achieved is, to say the least, open to question. What is certain, however, is that beyond the formulation of good intentions and needs, there is still no clear definition of the substantive meaning to be ascribed to styles of development conceived as overall dynamic processes, which is the aim of the unified approach perspective.

To some, this might seem a formal and academic concern. I could on no account share such a view, however, because that would mean accepting that it was right to use such complex concepts without showing the theoretical context from which they derive or indicating methodically and systematically their basic elements and relations. In other words, I would have to admit that they could be given an exclusively empirical basis and that

the purpose of this effort could be reduced to serving the pragmatic aims of development planning. This is not the spirit in which the unified approach project was formulated, and still less that found in several of the studies on the subject. Nevertheless, the danger persists that the type of approach which is likely to predominate is that which M. Wolfe calls the technocratic-rationalistic style⁴, which is precisely a style that is divorced from methodological concerns and has a decidedly "practical" orientation.

It is difficult to imagine a unified approach to styles of development which does not involve the adoption of a theoretical (and value-oriented) position with regard to the actual process of development, i.e., with regard to the factors which generate, condition and curb its dynamism and the utilization of its results. The adoption of such a position, whether explicitly or implicitly, is inevitable, and since this is so, it seems reasonable to adopt it and formulate it explicitly, both because the ideas are clarified and obvious confusion is avoided in this manner, and also because, with a clearer understanding, more rational and efficient instruments can be forged with which to act on development.

One noteworthy feature of the literature on a unified approach and on styles of development is that there is rarely any attempt to explain the development process or to make a critical analysis of the economic, social,

⁴See *Approaches to development: Who is approaching what?*, *op. cit.*, p. 45.

cultural and other theories which provide partial and segmentary explanations of development and seem to be in the process of being refuted. In reality, the whole unified approach movement is, on the one hand, a reaction against the predominance in development thinking and action of theories based exclusively on economic assumptions, which came to the fore in the years immediately following the Second World War, while on the other hand it is also a reaction against disciplinary segmentation (as already noted), and no less so — although without saying so in as many words — against the wide variety of ideological approaches and concepts of development.

Criticisms of exclusively economic theoretical interpretations of growth were already in vogue in the mid-1950s and have become particularly sharp since then, to the extent that they have led to changes in development strategies and policies. This is evident from the attempts to integrate the so-called “social aspects” into the main body of development doctrines. The original concept of social aspects was extremely limited and included only education, health, housing and nutrition. Some time was to pass before it was admitted — and then only to a limited degree — that certain social dimensions not previously considered, such as the social classes, power relations, and the political nature of the State, are of fundamental importance in the orientation of development strategies, especially in Latin America. From that moment onwards, concepts such as political development models or styles began to be used, together with other terms such as “system”,

“pattern” and “profile”, which indicate a more comprehensive, synthetic and dynamic approach while bringing in new elements which were neither clearly expressed nor taken into account previously.

There is no point in investigating the origin and evolution of the broad vocabulary in use, nor how the transitions which led to an ever broader idea of development came about, because we are concerned with a different problem. However, it is not out of place to say that the transition has in some cases been so rapid that it has led to the other extreme, and instead of the economists’ specific and restricted formulas whereby growth was dependent on the rate of investment and the capital-output ratio, the formulas in use now are so general and abstract that they have barely any specific meaning or practical application. For example, the statement that development is conceived as an overall process of interrelated societal changes is, by its very nature and vagueness, beyond discussion and could be accepted by the most antagonistic and opposite theoretical and ideological currents.

However, if the meaning of some of the individual terms used had to be defined — for example, the concepts of “change”, “overall process” and “interrelation”, it is quite possible that such agreement would rapidly disappear, to be replaced by theoretical differences with regard to other questions (for example, how the change comes about, what overall process means and, lastly, whether the interrelationship is symmetrical or asymmetrical in terms of the

circulation and transfer of resources and power).

What still further impedes a clear understanding of the idea of styles of development is the wide range of adjectival phrases applied to the styles for want of a theoretical definition, thus giving them a variety of meanings⁵.

The use of adjectives is neither a substitute for theory, nor is it a good way of identifying problems and their specific objects or distinguishing clearly between the levels of analysis to which they relate. The question that must be asked, then, is what relationship there is between the styles and other concepts from the theoretical arsenal of the social sciences with varying degrees of abstraction such as system, structure, régime, process, strategy, etc.

⁵For example, one of the studies on the unified approach project refers to the following types of styles: "value-oriented" and "eventual value-oriented styles"; "current world styles", "national" and "viable national styles"; "politically possible", "conventional", "preferred" and "prevailing style"; "original", "radically original", "innovative style" and "new style" (with respect to Cuba); and, lastly, "styles of polarized development". There may be more and further contributions to this repertory of terms which may be found in other studies. In any case, it is my impression that their number does nothing to clarify the concept of style, even if it is felt that there is no difficulty in understanding such a phrase as a conventionally-defined style of development. What does "conventionally-defined style of development" mean?

To what conventions does it refer, who imposes them and how, etc.? It is obvious in any case that development styles are not "spontaneously generated" nor are they distinguished by the qualifying terms applied to them.

In other words, to what level of analysis and theoretical structure does the concept belong? There are practical reasons for this concern, since the concept of style sometimes seems to correspond to that of system, while at other times it is much less general and can perfectly well be taken to mean strategy. Thus, when reference is made in general to the *prevailing* styles of development, this would appear to mean capitalism, which is a historical system in the current nomenclature of the social sciences. On the other hand, a reference to "national style", with a specific sense, cannot mean capitalism because it would be inaccurate, and this is also true in the case of "current" style or "viable" and "acceptable" styles of development, all of which are closer to strategies. I have doubts about the heuristic usefulness of a concept which becomes a kind of potpourri since it is applied at so many levels of analysis with so many different meanings; so that the central idea is difficult to grasp and lacks an explicit theoretical reference.

It may be useful here to revert to a problem referred to briefly above, which is connected less with partial disciplinary approaches and much more with the evolution of concepts and the area covered by the various terms used by development analysts. Until comparatively recently, economists and international agencies spoke of development strategies or policies in referring to fairly rational, coherent and integrated sets of measures for the promotion of growth (or development), which were considered to form groups relatively independent of the sources from which they originated and vaguely linked with

the non-economic conditions in which development was taking place. That is to say, the old division between the State and the economy was maintained, and the power components were dissociated from the development process and kept as constants. The State thus appeared as a relatively immutable entity that acted as a generating source of economic policies which could change without altering the nature of the State or its relations with society.

This approach had some advantages since, besides being simple, it enabled the economists to keep comfortably to an intellectual plane dominated by their own discipline. This position could not be sustained when, first on distinguishing between growth and development and later on incorporating the "social aspects" in the analysis, the demands for broader theoretical perspectives made themselves vigorously felt: so much so that in response to these demands other significant elements were added which had appeared only marginally in the previous analytical schemes. These were the international "system", historical trends and national structures which, together with the specific and concrete circumstances of the various regions and countries, determined their possibilities of development.

The next move was to pass on from the idea of strategies and policies to other more expressive types of concepts which would take into account the new "social" concept of development. The solution adopted to this end consisted largely of the addition of new elements, which led to the complete reformulation of existing ideas. The economic policies and strategies (conceived always in a

strictly limited neoclassic or neo-Keynesian context) were complemented with other elements, but what was basically incorporated was the dimension of the power of the State in the limited sense of a generating source of economic growth policies. For this purpose concepts were borrowed from other social disciplines, mainly sociology and political science, where there had long been discussion of political and social models or styles. These possessed some of the integrative characteristics sought, but were nevertheless charged with connotations it was desired to avoid, or at least leave aside. In order to adapt them to the aseptic and bureaucratic language of the international agencies, the political models or styles were rephrased and the obviously political connotations which many of them possessed were eliminated. The popular belief that if the symptoms are removed there is no longer any need to worry about the sickness itself did not work in this case. The differences disappeared from view, but their sources did not disappear. What role does power play in development? Who are the ones who possess power, what kind of power, how do they mobilize it, to fulfil what objectives, and to serve what interests? How is the concept of power incorporated in the whole theme of strategies and policies, and what theoretical meaning is ascribed to it?

This brings us to a crossroad with, on the one hand, the problem of power (what person or persons have power and how do they use it?) and, on the other, that of the generation of change or development (what person or persons promote change and with what pur-

pose?). Although established power is generally conservative, so in various respects is the idea of development when, for example, its "prevailing", "dominant", "current", "real" or "conventional" forms are referred to. In the concept of styles, the concurrence of power and development has to do with the generation of the latter, which is assumed to be promoted by one or more determinable sources of power. If this reasoning were correct, the logical question would be: what is that source of power, how does it operate and in what direction?

This brings us close to the philosophy of history. I shall avoid digressing on the movement and sense of history, however. Although our own concern is more mundane, it is worth mentioning that the division which was first pointed out centuries ago is as clear as ever: on the one hand there are those who feel that trust should be placed in individuals who have been "enlightened" (by God, Reason, an Idea or History), in great personalities and in key groups; while at the other extreme it is felt that an answer to the question can be found only by observing the historical-structural dynamisms of the economic and social bases and the development of the productive forces.

The first position corresponds to the postulation of "development agents", and the problem becomes that of finding out and identifying the kind of persons or groups that carry out this task and the manner in which they promote development. For years the main concern in Latin American social science was precisely this: to locate the *deus ex machina*, seeking among

Schumpeterian entrepreneurs or in the middle classes the existence of a national bourgeoisie with a hegemonic vocation and the capacity to promote modernization after the style of the central capitalist countries. The modernization theories follow these analytical lines.

A theoretical approach of this kind is "action-oriented" when it emphasizes the position of the actors (development agents) as the dynamic elements in a process aimed at fulfilling certain objectives defined by them, in specific circumstances and with limited resources. Structure and history may come to have only secondary importance, if any, in such an approach, which to a great extent is ahistorical. In this approach there is a voluntaristic component, often indicated in the past, which emphasizes the fact that social situations and processes do not have determining influence. Of course, history and structure do enter into this analytical context, but only as a distant backdrop which sets the stage but does not restrict the autonomy of the actors as central personages in the drama of development.

The essential problem is to determine first *how far* and then *in what manner* the historical-structural trends are incorporated in the development analysis scheme with respect to the actor-agents. It is precisely at this point that differences of opinion arise regarding the interpretation of the force of historical factors in social change (or in development).

At all events, the nature of a style of development depends in this approach both on the quality and on the guiding principles and aims of the "agents"

— which use certain means to pursue a number of objectives — and also on the acceptance (consensus) they win for their strategies. Hence, the style's "viability" depends on the social forces it can mobilize to overcome obstacles and resistance to its implementation or continuity.

There are, however, some methodological problems as regards the manner of inserting the concept of viability into this context and the meaning ascribed to it. The idea of *viability*, as used in the context of the unified approach project, gives rise to some difficulties when an attempt is made to reconcile it with so flexible a process as development. It is sometimes my impression that the dynamic elements involved in this idea of viability are not properly defined, since it appears rather as a static concept. Viability is closely linked with the available *means* for achieving the objectives of a development strategy, which will come up against resistance and conflicts that will modify its course. The viability of a development process would therefore be bound to undergo changes whenever the conditions of the process altered. The notion as to what the *means* are is of fundamental importance in order to understand their role in the formation and operation of the styles. As always, there are various alternative ways of analysing this question. If the means are considered not to be variables, the possibilities of a style persisting (its viability) will depend on the continuity of the existing historical conditions, and its adaptability to change will certainly be limited by the rigidity of the means.

It would be quite a different matter if the concept of viability were considered in a more dynamic context and the means were taken as a group of instrumental resources closely linked with the objectives but not exclusively dependent on them. The nature of the means would determine the possibilities of a style, but once this was established, and whenever necessary and possible, it could reformulate them, creating new means more flexibly adapted to the evolving historical and social circumstances. The advantage of this approach is that it makes the definition of means more flexible. Under this approach styles would be less dependent on the definition given, since they could partly recreate their own means.

This reasoning has its limits, however. The most important of these is the idea of *contradiction*, which stems from the lack of complete convergence between means and objectives. In such a case, the gap may tend to widen in the course of time, with the result that the style would eventually decline and be overtaken and replaced by another. This point will be referred to again later.

The problem of how to start from a correct theoretical approach is not solved by allocating the dynamics of development to the agents and attempting some classification of them without indicating what possibilities they have of exerting decisive influence or defining the strategies ascribed to them. Strictly speaking, the question is none other than finding out which are the key agents, i.e., *identifying* them so as to determine the values, interests and capacities with which

they will define and impose the development strategies they support and promote. The following questions then become almost unnecessary: How can the real agents be identified from among the many possible potential agents to be found in any society? What are their special characteristics: how can it be determined whether they are more capable or "strategic" than others, whether they have the necessary consensus (and coercive force) to impose their objectives in the face of the resistance they will inevitably encounter? What guarantee is there that their style is more acceptable than any of the other available in the "styles market" at any given time?

We are once again confronted by the theoretical and methodological problem indicated at the outset, for which there are few useful guidelines. Short of suggesting that the events are decided by historical chance, it is clearly necessary to have a theory which, besides affirming that all the existing agents (and the lists are long) are equally potential candidates for hegemonic power, maintains that among them one or more are "more equal than others" as in Orwell's fantasy.

This type of approach almost inevitably brings us to another question: What relationship is there between the agents and the power elites? I believe that the idea of agents is only meaningful if it is admitted that they and the power elites are one and the same thing (or very similar). If that is so, the crux of the problem is to establish first who they are, and then the kind and quantity of power resources they possess and how they are utilized. The State seems

to be the main supporting basis for the agents and power elites, and they promote their policies from it, although this may not be explicit. Notwithstanding its central importance when discussing a concept of "agent-promoted" development, very little is done in the unified approach project to distinguish the features and functions of the State, that is, its nature as an instrument of power and an economic agent under different styles of development involving different agents which have succeeded in imposing their hegemony and promoting development strategies pursuing their objectives and interests. Some provisional studies in the unified approach project analyse the problem of social and political structures within the context of development, but the analysis centres more on *nation-building*, on a very general scale as yet, without there really being an explicit concept of power in development. Be that as it may, these studies offer promising prospects for the future exploration of this important aspect.

Accordingly, what ought to be the focal point of this type of action-oriented approach is rather the concept of the role played by power in development, because the agents, in order to be effective and to be able to make their styles viable, must necessarily be a power elite, a dominating group, coalition or class, an "Establishment", or some other similar entity which controls the State apparatus. It seems essential, therefore, to endeavour to build up a suitable methodological approach recognizing the factors determining the agents' position of power and the autonomy ascribed to

them in the specific context of a nation-State and at a given point in time. This is a necessary requisite if any progress is to be made towards an explanation of the styles and their acceptability and viability in the development process.

This problem cannot be solved, however, without first finding an answer to some other questions: What

are the structural and ideological factors that generate the central forces of the development process? Who stimulates and guides it? Towards what viable objectives and goals, with what means and resources, in the face of what conflicts, and for the benefit of whom? In the following pages some exploratory suggestions are put forward in this connexion.

III. New formulations of some fundamental problems

It seems clear that in turning from consideration of development strategies and policies to consideration of styles of development there is a qualitative jump which is not always fully recognized. Previously the central problem was more limited and more concrete, since only strategies and policies were involved. It was above all a question of understanding the mechanisms for stimulating economic growth and its main short-term targets, within a limited historico-social framework determined by constant structural parameters. This intellectual and practical position has recently been labelled "developmentism".

With the inclusion of the idea of styles and models, there is a considerable, largely qualitative change in the intellectual goal. The object now is nothing less than to embrace the entire development process in a broad and comprehensive intellectual framework so as to be able to view the constellation of its circumstances and elements

suitably integrated in a theoretical scheme. Such a theory should explain how a specific society is mobilized and uses its resources to attain not only economic growth but also other goals which are permanent human values (human rights, personality development, creativity, social justice and equity, individual and family welfare, conservation of the environment, etc.). This is the position of the United Nations, and it is the task facing those who must define what development styles are.

Some authors maintain that in Latin America there are currently two polarized types of development which are so opposed that their features may be considered as corresponding to different economic and social systems. They delimit what appear to be the "objective possibilities" or real alternatives existing at present in the region.

The first has been called the "associated development model", thereby

stressing its dependent relationship with the central capitalist countries and their big transnational corporations. In this model, the power structure consists of a coalition primarily composed of a civil and military technobureaucracy which controls the State apparatus in association with the large national and foreign companies which occupy a dominant position in the modern sector and consequently in the whole economy. A variety of upper middle level groups, including middle-level businessmen, top executive and professional people, also participate in the coalition, although in a somewhat accessory capacity. The political style is generally authoritarian and demobilizing, since the "hibernation" of the mass of the people is promoted through the disarticulation of their autonomous political and social organizations. Open dissent is directly repressed. The central economic objective is accelerated economic growth, for which all available resources are articulated and mobilized so as to maximize capital formation and the profitability of companies, attract foreign investment and contain the wage and distribution pressures of the large groups which are left behind in a process involving high income concentration. The long-term political objective in "national greatness", and many social goals which, in another perspective, would deserve more immediate attention, are subordinated to this.

The central objective of the type of development at the other pole is "social development" or "popular participation", which is given priority over economic growth. A monolithic and

authoritarian State, without political pluralism, is the nucleus of this development style and is also the main motive force (at least in the initial stages). Mass participation is widespread and increasingly equalitarian in production, consumption and income distribution. The formula for economic and social organization may be either State capitalism or socialism in the strict sense⁶.

From a methodological point of view, this theoretical scheme goes well beyond what we have so far been considering under the heading of styles of development. The two types outlined do not fit easily within the same economic and social system (capitalism or socialism), which is one of the prerequisites of the idea of styles, viewed here as variations of intra-systematic historical configurations. They are, however, useful because they are concrete and also because they relate very closely to the concerns underlying the analysis of styles.

Anibal Pinto has adopted a somewhat different approach in drawing attention to some dynamic factors of a "scheme of supply and distribution", in which particular importance is attached to the question of "for whom" in the definition of what he calls a "political style of development". His approach is nevertheless more economic than political because of the emphasis

⁶Various sources may be consulted on these models, including F. H. Cardoso, *O Modelo Político Brasileiro*, (São Paulo, Difusão Européia do Livro, 1972), chapter 3; and J. Cotler, *Unified Approach to Development Analysis and Planning, Case Study: Peru*, (United Nations, UNRISD/72/C.69, August 1972).

placed on the central importance of the concept of income distribution in the definition of the "scheme" and because of the other factors taken into account, as will be seen below.

The *most relevant dynamic factors* of the model mentioned by this author are contained in the following questions:

(a) What are the nature and origin of the *main stimulus to demand* (external or domestic demand, its volume, and degree of diversification)? This is related to income distribution and its tendencies towards concentration (the groups which accumulate more and those which accumulate less), as regards its influence on the structure of demand.

(b) *What is the key production sector?* In other words, what is the "spearhead" sector which imparts orientation and dynamism to the productive system and the supply of goods? How is the latter structured?

(c) What is the *main structural contradiction* (or predominant structural feature) of the dynamics of the economy? The idea here is to locate the main source of economic conflict, which is also the fundamental key for estimating the possibilities of continuity and future economic viability of the style.

The author goes on to state that there are two main "motive forces" which may act jointly or exclusively: (a) an ideology fostered by the State and a political apparatus; (b) nationalism⁷.

This scheme has a number of features which appear to me to be of great impor-

tance: in the first place, because the dynamic character of the model stems from both the nature of the factors chosen and the manner in which they are conceived, and because it is situated in a historical framework of well-defined phases; secondly, because of the incorporation of political variables; and finally because of the significance attached to the concept of contradiction which rapidly leads to a more general idea of conflict transcending the economic dimension.

Consideration of the problem of models constitutes a positive contribution inasmuch as they represent, albeit from differing points of view, an attempt to provide a theoretical framework for the problems of Latin American development, using national societies at a specific historical moment as a reference.

A problem which is no less important but naturally more formal is that of the *level of analysis*. The methodological position underlying the idea of style is rather confused, since as was shown above the term often refers to potential or concrete situations of very different scale. This is the case, for example, when reference is made to a "world" style, to a "national" style, and finally to situations whose scope is more restricted and which belong to the order of circumstantial strategies. Thus "style" appears at times to be an equivalent for "system" (capitalist, socialist), "structure" or "régime"; at other times, on the other hand, it would appear to mean something like a stage in the development process, as in the case of "outward-looking development", "import substitution" or "internationalization of the market", which

⁷See A. Pinto, "El modelo político latinoamericano" in *Política y desarrollo*, Editorial Universitaria, Santiago, 1968, pp. 60-64.

might be (and have been) described as "prevailing" styles of development (economic and political).

The upshot of all this is that the problem of the relation between systems and styles, of how to relate styles to economic and social systems, still remains. If it is accepted that the latter are more general and abstract conceptions, it may perhaps be said that *a style is the specific and dynamic modality adopted by a social system within a particular context and at a particular moment in history*. It may be observed that this proposition relates to a structure (or social formation) rather than a style. However, the idea of style has a different origin, although in its present version it is somewhat akin to the concept of structure. In any event, what is signified in the idea of structure is something more static and not focused, as style is, on the development strategies and policies promoted by a political will in particular historical and structural conditions.

From this point of view, it may be supposed that a "style" is a kind of integration of development strategies with the power factors which enable them to be carried out within an economic and social system existing at a historically determined time and oriented towards certain goals. This idea of linking strategies with power in the framework of a historico-social formation should certainly not be abandoned, because it introduces a greater sense of reality into the concept of style. In my opinion, the idea of style should be an auxiliary element in concrete reflection upon national development. Inasmuch as they represent desired and perhaps potential styles, utopias are important, if they are sufficiently specific, for understanding a historical situation and its possible tendencies, but they should never be confused with the concrete styles which point more towards historically identifiable realities.

IV.

Suggestions for a characterization of styles

After a summary review of the historico-concrete aspects of the concept of style, it now seems necessary to return to the problem of its dynamic content. What ultimately promotes a style? It has already been pointed out that this question leads us directly to an old controversy, stemming from the philosophy of history, which has run through the social sciences from the very beginning. At a risk of superfluity, I shall

recall the two fundamental positions: there are those who postulate that the leading figures and power élites (or strategic groups) act autonomously in formulating and imposing the objectives and policies which define a style, while at the other extreme there are those who concentrate on the role of the socio-economic structural base and the trends of historical circumstances, both internal and external, in the configuration of a development style.

These are the two extremes in the argument over the generation of styles. The complexity of the problem allows for a great variety of intermediary positions. A reasonable question which should be raised is the following: what optional styles are possible and viable, bearing in mind the historical circumstances and the structural features existing in a society which is organized according to a specific economic and social system? In other words, what are the frameworks and sets of objectives arising from specific social class and power relationships in a society which condition the orientations and variations of its viable strategies and policies?

If it is argued that it is the agents of development or "strategic groups" which are responsible for defining and implementing a style, there would be good grounds for replying that even so they would inevitably have to act within the conditions and limits established by historico-structural parameters, and on no account in a social vacuum in which everything is possible and nothing probable. There remains another aspect of the problem: should greater importance be attached to the agents or to the historico-structural processes of development? This opens the way for an essentially mistaken theoretical and ideological argument if stated antinomically, since neither agents nor structural processes can be understood in isolation. Their relationship is basically dialectical, and it is only in the framework of the whole made up of the two of them that is possible correctly to state the dilemma in which, without good reason, they are opposed.

Still at the risk of repetition, it should

be made quite clear that the concrete, real style is always one of a number of historically possible and potentially viable alternatives. The choice and implementation of one of the possible alternatives is a political act, the decision of a political will formed by the dominant coalition of groups which represent social forces with sufficient power to be able to impose their choice over the other options. In sum, the style is a product neither of chance nor of the "logic of history" nor yet of "structural conditioning" working blindly and inexorably. This is because it has flesh and blood (individuals and groups), as well as a social and political will which acts in a specific historical dimension and is guided by ideologies. The importance of individuals and groups, their lives and needs, goes beyond their status of "supporters of the structure" and mere passive agents of history. In turn, both history and structure are more than frameworks which condition the set of alternatives, because — and this must be repeated — in a national situation which is historically concrete and conditioned, *there is always more than one possible choice.*

What makes any one of these choices viable is the emergence of a dominant class or coalition, the agent of development of the hour which will have to confront and impose itself upon other groups with conflicting interests and overcome real contradictions which stand in the way of harmonizing and carrying out its social project. *Hence the central importance of conflict as an attribute of a style.* What kind of structural conflict typifies it? Between whom and over what? What are the real object-

ives and the concrete consequences of a style, which become sources of conflicts? To answer these questions it is necessary to define largely what the *nucleus* of a style is, what gives it its main direction⁸.

How can development be approached as a whole, and the fragmentary and often conflicting approaches of different disciplines be overcome? What kind of synthesis is a style? What is its essential content? The opposition between economic and social development was not exclusively the consequence of the division between economics and sociology as separate disciplines. It was also connected with a broad ideological spectrum ranging from the "economistic" position of those who thought that economic growth would necessarily produce economic modernization and, by its mere presence, the transformation and development of society, to those at the other extreme who believed that both economic growth and social

development represented successive stages or phases, and that the latter could only be achieved after and on the basis of the advance of the former. A different opposition is to be found in the "political science" or "sociological" view upheld by those who believe that political development (or political revolution) must necessarily precede any economic and social transformation, or by the partisans of progressive but gradual social reform, or even progressive conservatism.

Discussion has now moved to the problem of income distribution. On this subject there are many who defend the view that it is imperative for growth to be consistent with increasingly equitable distribution. They are opposed by those who argue the contrary, i.e., that it is first necessary to enlarge the cake before sharing it out and that it is impossible to do both at once.

It is clear that this is not merely a formal problem, since it is of considerable relevance to the economic and social conflicts and struggles which, as stated earlier, are the nucleus of styles. Perhaps nothing helps to identify more clearly the internal contradictions of a real style than the fundamental conflicts which arise in the implementation of its strategies. It does not matter whether these conflicts are latent or open, so long as they relate to the main objectives. *In order to characterize the situations which typify a style, it is of the greatest importance to know the sources of conflicts which are reflected in the confrontations of incompatible or irreconcilable interest, in social differentiation which are neither legitimized nor institutionalized, and in the contradic-*

⁸The idea of "contradiction", in the sense of a style's lack of consistency, may be a mere problem of logical incoherence or it may be a symptom of ideological incoherence reflecting one or more latent, underlying conflicts which make it impossible to attain a satisfactory level of agreement among the various policies and objectives. The need to reach a political compromise by conciliating opposing interests makes it difficult, if not impossible, for policies and their goals to be completely compatible. In our opinion, however, this does not imply that a style does not exist, since style does not depend — as will be seen — upon internal consistency, but on the contrary is identified by its structural tensions and conflictual confrontations, by which its real nature as a historical entity may be distinguished.

tions at the heart of the fundamental social processes.

The sources of conflict are not always the same, nor do their original potentially or actually antagonistic positions and attributes remain constant. The key questions therefore appear to be the following: What are the problems facing a development strategy and what are the requirements for overcoming them? Who wins and who loses (workers, businessmen, the military, technocrats, national or foreign capitalists)? What is transferred among them (wealth, income, power, prestige, education, etc)? Does growth tend towards increased concentration or conversely towards increasingly equitable decentralization? Where are the important decisions taken, who takes part in them and how? From what source and by what institutional means is the current development strategy promoted?

These questions barely do more than illustrate the type of problem to which priority must be given in the conceptualization of styles. The social sciences (and those who make use of them: technocrats and planners) must be in a position to anticipate and foresee both the stability and continuity of a style as well as its crises and final collapse. In a sense, the stability and continuity of a style is little more than the neutralization, postponement or overcoming of its basic crises and conflicts. *From a dynamic and integrated viewpoint, a development style is therefore a dialectical process involving power relations and conflicts between social groups and classes, which arise from the dominant forms of capital accumulation, the structure and trends of income distribution, historical circum-*

stances and foreign dependence, as well as from values and ideologies. All this takes place among other types of structural conditioning (technology, natural resources, population) which must be analysed as an integrated whole delimiting the historical possibilities of a style.

In another sense, *a style is the strategy of a coalition of social forces which impose their objectives and interests until it comes to an end as a result of its implicit contradictions.* A historically outdated style is replaced by another which better reflects the new social forces emerging from the process and the alliances and conflicts which arise between some of its components when they have accumulated sufficient power resources to constitute a dominant coalition capable of formulating and carrying out new projects and objectives more attuned to their interests. It should be noted, however, that the succession of styles does not entail discontinuity of the existing social system but rather may merely reflect different combinations and arrangements of its basic constitutive elements.

Although they are used in different contexts with varying abstract and concrete meanings, when styles and models refer to real configurations they have a very close relationship — perhaps of dependency — with the particular existing form of power and with the orientations of the dominant groups. *However, it is not always possible to infer from them with mathematical precision what type of development strategy they will put into effect*⁹. Nevertheless, in a more specific sense, real (or dominant)

⁹Here it is a question of *conditioning* and not *determination*. We emphatically reject any

styles or models consist essentially — as was pointed out above — of development policies in action, together with the contradictions and conflicts which are being produced deliberately or not.

In this dialectical context particular importance must be attached to the *position and role of the State*, its organization and essential functions, and the position of the groups or elites which predominate within it and attempt to establish or maintain a given style of development. Obviously, the strategy of a style arises (and is carried out) within the framework of the conditions and in the midst of the conflicts which make up its historico-structural possibilities, since they delimit the objectives, means and resources which may be used and the interests and objectives which will benefit.

In Latin America, the national State is an essential part of the machinery which promotes development and contributes to the definition of the dominant style: indeed, it is even more essential than in the "countries of original capitalist development".¹⁰

mechanistic causal link between the "historico-structural situation" and the filiation and nature of a style. The future, far from being predetermined, is open and may follow courses which are difficult to predict *but remain within certain historical bounds which delimit what is circumstantially possible*. In this sense, the social system functions as a historical matrix which conditions the diverse elements of "the possible", reducing the alternatives to those which are compatible with its continuity (although *not* with its immutability).

¹⁰See M. Kaplan, *Formación del estado nacional en América Latina*, (Santiago, Editorial Universitaria, 1969), *passim*.

Because of this special feature, it may acquire a pre-eminent position which allows it some autonomy, in establishing its policies, with regard to the claims of its dominant groups. This may be explained by the transfer of power to the State as the highest political institution, power which is largely appropriated by the various technocracies which plan and execute its strategies. Thus, the national State and its strategies must be regarded as the context within which styles acquire concrete meaning and historical dimensions.

There remains for our consideration the "unified approach" to development styles. It has by no means been forgotten, and much of the foregoing should perhaps be viewed as a contribution — sometimes tangential, sometimes more direct — to the discussion of this problem, focused on the possibility of integrating viewpoints and conceptions on development. The unified approach is an attempt to go beyond the interpretations which have hitherto been dispersed in a multiplicity of fragmentary, unrelated approaches, largely as a result of the disciplinary "diaspora" and different ideologies and values.

Our small contribution here is perhaps limited to indicating some of the main difficulties of the problem. In the first place it must be pointed out that a "unified approach" involves a number of interrelated aspects and levels, in the field of practical action and integrated planning, methodological and theoretical questions and — equally important — in the field of value judgements, ranging from basic assumptions about society and social justice to more specific pos-

itions on ends and means, the particular combination of which constitutes the substance of the ruling development style.

In a similar vein, it may be suggested that there are three facets to the problem: the pragmatic, involving the planning of development policies; the epistemological, stemming from differentiation among disciplines; and the ideological, focusing on the question of ideologies and social values.

In fact, the gordian knot of the unified approach lies in the need for thought and action regarding development to be reasonably integrated. What is really being integrated in a unified approach to development? It must be, without any doubt, the conception of development, because this alone is a conceptual construct and therefore an ideal entity which provides a compact overall view of a multitude of partial processes. The real processes are the social situations and actions, as well as the policies which promote and orient development, and they are what may be more or less unified on the basis of that conception.

This is one level of reality. At the other are the states of mind and thoughts of individuals, their perception of their interests and values, which is what orients and conditions their attitudes to development. The predominant tendency at this level is towards the interest-based evaluation and, consequently, the ideo-

logical judgement of the orientations and consequences of development.

A unified approach should strictly speaking begin by integrating these two levels, which would require a relatively high degree of complementarity and correspondence between social awareness and political action. There are many interactions between the two levels, but what is vital in order to build a bridge to link them globally is a concept of development which ultimately can only be ideological. It seems impossible to avoid the need for a value base linked to the existential situation, whose function is to integrate individual awareness and social action around the only thing which can unite them, namely, a coherent collection of values professed and carried out by collectivities which represent the dominant social forces.

Politics reappears here as a central component of any conception of styles of development. The values may vary, but styles must distinguish and decide as regards how much, how, what and for whom, since these are the alternatives normally facing a development process and the choice rests with the political order. The function of choosing between them is institutionalized, and it is the business of the political apparatus, more than of any other institutional order, to choose the direction of development and promote progress along the chosen path.

V.

Guidelines for the identification of a "concrete" development style

By way of summing up, some guidelines are provisionally suggested for identifying the nature and basic elements of a real (actual, dominant, prevailing, etc.)

style, using a historico-structural perspective which differs from the approach emphasizing the role of agents of development. They are as follows:

(a) A real style, from this point of view, is not merely one or more strategies of development (plans, programmes, etc.) with a more or less coherent collection of policies and with instruments and objectives which are legally sanctioned by the State and promoted by some "agents of development". Over and above all this, it is what emerges from political and social practice, as a result of the inevitably conflictual confrontation between that strategy and the other possible (and sometimes partially or potentially feasible) alternatives guided by the pressures of the non-beneficiary sectors or groups and of those who are definitely harmed or are for some reason in opposition to the current style.

(b) There are a number of fundamental elements in an analysis of this type: (i) the State, as the source which generates policies, and the political régime (dominant coalition plus political resources) which formulates (or chooses) the style and promotes it in an attempt to impose it on society through a strategy whose policies, both in means and objectives, are supposedly appropriate; (ii) the different social groups and classes which have power resources, promote their interests and propose alternative policies; (iii) the conflicts which stem from the incompatible (or irreconcilable) aspirations of the various groups either within or outside the circles of political power and of State administration, whose claims, divergencies and antagonisms increase or restrict the

possibilities of carrying out the current development strategy; (iv) the structural features, ideological frameworks and historico-social circumstances and trends which limit the possible objectives and condition the rules of the game; (v) the possibilities of legitimizing a style through varying combinations of consensus and coercion. In other words, this emphasizes the nature of the support which the style receives and the degree of participation in it by the majority groups and the "power factors".

(c) Among the *conditioning* elements the following appear to be fundamental: (i) the geographical size, population and natural resource endowment of a country; (ii) the level and trend of technological change and (iii) the combination of international economic and political circumstances and the way and extent they influence the structure and dynamics of a country's economic and political life.

(d) Finally, there remains to be defined what may be considered *the direction* of the main movement of a style. What identifies it as definite style and how is it distinguished from other actual or possible styles? What is a style's central project? What national and group interests are promoted, what conflicts emerge and what resources (how much and in what way) are used first to impose the style and then to implement and maintain it? Who wins and who loses? All the above elements are significant for this diagnosis, to an extent which varies according to their nature and circumstances, on condition that after they are identified an intellectual effort is made to synthesize them, bringing out what is essential about them as a whole. In some

cases a style may centre upon an overt "national project", which may be the ideal of "national greatness and power", "freedom from foreign dependence", the creation of a new equalitarian style of social life, the imposition of "savage" capitalism to provide the greatest possible stimulus to economic growth and maintain a hegemonistic régime, or "national integration".

Whatever its nature, a national project of this kind contains all the elements indicated above. In addition to being a national undertaking, it is a hegemonistic project on the part of certain social sectors and classes, which define it (and also the style) in a way which agrees with their particular interests and in accordance with a specific form of insertion into the inter-

national order. The analysis of it may therefore be a starting point from which to discover the degree to which it has an integrating effect on the strategies devised and carried out by the State and other power centres, as well as to identify the possible main direction of the style, i.e., what the fundamental objectives of its long-term strategies may be, taking into account its concrete possibilities at the internal and international levels.

Without wishing to exaggerate the significance of the distant future for present circumstances, I believe that it is in the convergence of both, in the influence of long-term demands on the here and now, that the answer must be sought to the elusive problem of the connexion between time in the intellectual formulation of a style.

Notes on integration¹

*Cristóbal Lara Beautell**

It is argued in these notes that a number of factors, together with the current problems in the world economy, tend to make integration appear less important than it really is and to reduce its chances of success, so that a clear interpretation and evaluation — not as yet available — is called for.

A study is made of the growing importance of trade between the countries of Latin America, which is contrasted with the sustained deterioration of the region's position in world markets, and an attempt is made to evaluate the interrelationships of these markets, particularly in the field of manufactures.

The study centres on: (a) an analysis of the present integration crisis; (b) the inequalities in development between the countries and the natural tendency for the most backward countries to be the "losers" in integration, barring exceptions or cases where special policies are applied; (c) the differences in views and policies as regards the necessary degree of protection and programming, and other elements which can affect the influence of integration efforts on the economy of the different countries.

The notes stress, in particular, the need for greater co-operation and linkages the different integration schemes and the industrialized countries of South America, and examine the way in which a flexible convergence process among schemes and countries could reduce current tensions and give an impulse to the advance of integration.

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1. Analysis of the integration process: Significance of the accumulated experience of Latin America and its real present and future importance

The basic assumption of this study is that no precise idea exists of the scope achieved by the economic integration process in Latin America, of the manner in which it has been linked and co-ordinated with other development policies, or of the extent of its influence on development in the different countries and regions. This results in an imprecise diagnosis which in turn leads to uncertainty as regards what is to be done, what policies are to be followed, and what actions undertaken in this field. Moreover, in the absence of clear lines to follow, disparate ideas emerge and, although these ideas possibly contain some valid elements, many of them tend to reduce or negate the importance of integration. Such negation is generally based on two assumptions: either the slow progress made in the past and the doubts about

¹These notes were originally prepared for an internal meeting of CEPAL professionals and invited consultants, with the aim of stimulating discussion, encouraging opposing points of view and clarifying the issues raised in them, with a view to reaching conclusions and concrete suggestions which would allow a further impetus to the integration effort. It is with this same purpose in mind that they are presented here.

future viability, or, what is more serious, the assumption that even if progress is made it has no impact on the truly crucial problems of the countries and fails to provide social results of any significance.

Integration has not received and still does not receive solid support in this basic sense. Many of the conditions needed for its progress have been satisfied, and political decisions for achieving it have been taken, but in one way or another there has been a lack of guidelines which provide a clear interpretation of the process and help to orient and justify it. This absence, which is of course partial and not total, has been felt for some time, but in recent years and particularly at present it has become doubly noticeable, since it coincides on the one hand with the fact that the integration process is, in a sense, evolving in an increasingly rarified atmosphere, while, on the other hand, it coincides with the difficulties and uncertainties of the world economy.

In these circumstances, the knowledge and guidelines which are lacking have become a political necessity, since it may be assumed that the same circumstances which call for clear interpretative guidelines would at the same time permit such guidelines to be used to influence the course of events. This would be done in two ways, since hopefully in addition to the headway which can be made in the integration process itself, it is indispensable at the same time to seek integration policies and modalities which are closer and better adapted to reality and to the economic conditions foreseeable in the immediate and medium term future. It can thus be argued that the soundness

and firmness of integration depend above all on the extent to which it is able to increase the capacity of the countries to cope with the conditions of the world economy and with their own development problems over the years ahead. The determination of such capacity and of the ways in which it could be built up and used is a very important aspect of the clarification being sought.

Now that the foregoing points have been raised, it is worthwhile examining the meaning of economic integration from different points of view, including and even giving special attention to those approaches which question its very foundation.

It is sometimes argued that integration is not of major importance to the large countries of Latin America, since they have ample domestic markets and can achieve progress in their industrialization, under better conditions, on the basis of their national markets and their links with the more industrialized centres. For their part, the small countries generally appear to be the permanent losers in the integration process. The favourable area for it would therefore be limited to sub-regional groups of medium-sized and small countries of similar economic status: i.e., to only a small proportion of Latin America.

Behind these broad approaches there are highly important realities which should be studied to see to what extent they are valid and whether they will continue to be so in the future.

Independently of the more detailed analysis which may emerge in the discussions, these facts, as well as the study of the meaning of integration,

should be viewed in the context of two general but opposing trends: (a) the *decreasing* proportion of total Latin American exports in total world exports, and (b) the *growing* proportion of intra-Latin American trade in the total of Latin American exports to any destination. Those two trends show the following characteristics:

- they are continuous trends in which the loss of the relative importance of Latin America in world exports and the increase in the importance of the intra-Latin American market are repeated throughout the 1960-1974 period, save in a few exceptional years;
- the exports of Latin America are also decreasing proportionately compared with those of the other developing countries;
- if world exports for the period 1960-1974 are divided into four groups on the basis of origin (developed countries; Latin America; other developing countries; whole world), all the other groups have export growth rates which are higher than that of Latin America, while those of the other developing countries are double the annual growth rate of Latin American exports.

This is the first fact that should be taken into consideration. Latin American exports to the rest of the world may have grown very rapidly in recent years in absolute terms. Even so, however, Latin America's loss of position is an undeniable historical fact, in terms both of total world exports and of the exports of the other developing countries. Consequently, the relative increase in intra-Latin American exports must

be interpreted within this context. If the share of such exports is increasing compared with exports to the rest of the world, it is partly because the latter did not maintain their relative level and partly because of the rapid increase in intra-Latin American exports.

One of the aspects which call for discussion and study is the relation between the expansion of these two markets (the intra-Latin American one and that of the rest of the world), together with the possible role of integration in the years ahead. It may be that its main function in the future will not be limited to partially compensating for the inadequate rate of exports to the rest of the world through the intensification of trade within the region. That would be a limited role, though a very important one. But it could also serve as a factor in promoting trade with the rest of the world and, in particular, as a springboard for launching industrial exports to non-Latin American countries, as we will see further on.

The data related to the problem are revealing in this respect and ought to be kept in mind when looking towards the future. Latin America is already feeling the effects of the contraction in the volume of exports and the slower rate of increase of their nominal value. For Latin America as a whole it is estimated that in 1975, far from there being any expansion in the volume of exports, there was actually a contraction. For some countries such a contraction may prove serious, either because it has already been occurring for some time — as in Argentina, whose maximum export level was reached in 1970, or because it is very marked, as

in Venezuela, where the volume of exports in 1975 amounted to only 76 per cent of those of the previous year.

It is in the light of this that the Latin American scene must be analysed and that an attempt must be made to find a path to integration which takes

full account of these facts. If past performance is taken as a guide, economic integration could not make the indispensable contribution required of it, since what was observed in the past does not bear witness to a force strong enough to bring the economies together.

Table I
EVOLUTION OF LATIN AMERICAN EXPORTS, BY DESTINATION

	1950	1960	1965	1970	1974
Share of Latin America in world exports	11.4	7.6	6.7	6.1	6.3
Intra-Latin American exports as a percentage of total regional exports					
<i>Latin America</i>	8.8	8.7	10.6	12.0	14.7
Argentina	14.0	16.0	17.0	21.0	28.0
Brazil	8.0	8.0	13.0	11.0	11.0
Mexico	5.0	3.0	6.0	9.0	8.0
CACM	7.0	9.0	18.0	29.0	26.0
Rest of Latin America ^a	8.0	5.0	6.0	7.0	15.0
Andean Group ^b	11.0	10.0	11.0	11.0	14.0
World exports of Latin America (A) as a percentage of exports of other developing countries (B)	57.1	48.6	47.1	38.8	22.6
Coefficient					
A	100.0	85.0	82.3	67.8	39.5
B					

Source: CEPAL, on the basis of official statistics, and United Nations, *Monthly Bulletin of Statistics*.

^aFifteen countries.

^bConsisting of the six countries which currently make it up.

Two of the three biggest countries, Brazil and Argentina, had an intra-Latin American import coefficient for 1974 lower than or equal to that of 20 years earlier: that is to say, their increase in production was not accompanied by any more than a proportional increase in imports within the region. In the third country, Mexico, the reduction in the global import coefficient was accompanied by a steady increase in imports from

Latin American countries, but these amounted to only 0.5 per cent of the gross domestic product in 1974. Any revitalization of the integration process must necessarily assume a change in those trends, since the exports of the three countries mentioned amount to nearly 50 per cent of the total intra-Latin American exports.

For Latin America as a whole, the period 1960-1974 saw the fulfilment of the basic assumption of a general drop

in the import coefficient and an expansion of reciprocal trade, which from year to year has come to represent an increasing proportion of the product, although it is still very low (3 per cent). Furthermore, the reduction in imports from outside Latin America was approximately double the intra-Latin American trade expansion, the difference being made up by domestic substitution.

In brief, intra-Latin American trade increased more rapidly than the gross domestic product in 1960-1974, but in view of the concentration of exports in the larger countries and the relatively low level of such trade, it does not yet appear to constitute the type of link between Latin American countries which could increase the region's capacity to adjust to and cope with world economic conditions. If the contraction in world trade were to become more intense and continued to affect Latin America, there could also be a contraction in intra-regional trade. The position would then arise that the leverage effect of integration and of expanded intra-Latin American trade would be missing just when it was most needed. These trends are highly questionable, however, since any contraction at the world level may on the contrary bring about a higher degree of understanding and joint action among Latin American countries. In any case, this too should be discussed and studied in order to plan in advance the rapid expansion of regional trade and thus offset, in part, the depressive effect of any imported recession.

Another matter of concern is the

situation in respect of manufactures and the prospects for their future export to world markets. The upward trend which these exports showed up to 1974 already seems to be losing momentum and could well fall in the years ahead. Furthermore, the export of manufactures is a relatively new matter in Latin America, since prior to the 1960s the total volume of such exports was insignificant. Consequently, there is not enough experience in this type of exports, neither in respect of sales to the main industrial centres, nor in respect of trade in manufactures within Latin America. It can be assumed, therefore, that the defence mechanisms are still barely adequate to maintain the export position outside Latin America, while they are much too weak to serve to improve that position.

In these circumstances, the Latin American market seems to offer an element of greater stability: the share of manufactures in total intra-regional exports amounts to 43 per cent, as against only 12 per cent in exports to the rest of the world, while the regional market's absorption capacity amounts to 31 per cent of the total manufactures exported in 1974, and approximately 45 per cent of the non-traditional exports.

The importance which the Latin American market could assume in the future can be better appreciated by analysing the situation of some countries which account for the bulk of Latin America's exports to countries both inside and outside the region. Some of them, such as Brazil and Mexico, have managed to orient their exports of manufactured products mainly towards the world market, and they

would therefore be more sensitive to changes in it. Others, such as Argentina, have based their exports of manufactures more and more on the Latin American market, and the course of economic integration in the immediate future will be of special significance to such exports. This is clearly revealed by the fact that in the period 1961-1974 the Latin American market absorbed 47 per cent of the increase in Argentina's exports of manufactures and 70 per cent of the increase in its exports of metal manufactures and machinery. In general — in all of the countries except Mexico and Brazil — the biggest impulse to exports of metal manufactures and machinery was provided by the Latin American market; this was even more marked in the period 1960-1965, when Latin America took 87 per cent of the increase in this type of exports.

It may never be possible to make a precise evaluation of the relative importance of one market or the other as a factor in the acceleration of exports of manufactures, but it is likely that the marked expansion of the sales of such goods among Latin American countries was the first signal which led to the channelling of more domestic and external resources towards those activities, because of their evident viability and profitability. In 1960 total exports of manufactures to all

destinations did not exceed 600 million dollars, and at that time it was not thought remotely possible that they could increase to the level of 7,300 million dollars recorded in 1974.

Since both the intra-Latin American and the world markets for manufactures have been increasing in recent years at an average annual rate of approximately 30 per cent, and it is not certain whether it will be possible to maintain these rates when world trade conditions return to normal, the role that integration could play in the immediate future must be analysed in depth. Its impact is not limited just to the problem of payments, but could also extend to the industrial structure itself and influence the pattern of Latin America's relations with the industrial centres and with other developing countries, depending on the orientation of exports and the scope and impact of integration.

An assumption which can be put forward and discussed is that in the next ten years the economic consequences of integration will be strongly felt in the majority of Latin American countries — even those of greatest economic size — and that the course followed by the integration process will be a determining factor both in the structure of industry and in the possibilities of exporting manufactures within the region and to third countries.

2.

Crucial aspects of integration

(a) Definition of the present crisis

It is necessary to characterize the present crisis and to examine its significance in concrete terms. In all this there are contradictory facts and

important points which need clarification. Integration in Latin America, which got off on the whole to a vigorous start, has been going through repeated crises, and surmounting them has at times constituted the manner in which the process has progressed.

It is also interesting to note that, together with the present crisis in several of the integration processes, the dynamism of the export markets within Latin America has changed radically. Some of the increases in exports may or may not be linked to formal integration programmes and schemes, but they do appear to have been induced by or to be the indirect result of integration. It would appear also that the initial forces and other elements which have given an impulse to intra-Latin American trade have had their effect despite the crises, or parallel with them. Brazil's exports to Latin America increased by 1.9 per cent per year in the period 1950-1960; by almost 14 per cent per year in the period 1960-1970, and by 27 per cent per year in 1970-1974. Argentina's exports grew by 1 per cent per year in the 1950s, by 8 per cent per year in the 1960s, and by 34 per cent per year in the last five years; and we have already seen the growing impact of intra-regional exports in Latin America as a whole.

It must be asked, therefore, what kind of crisis integration is facing at the moment, how far-reaching it is, and what structural, institutional, and political scope it has. Is it a general crisis which affects all aspects of integration, or does it only affect some aspects and policies in particular? Does it amount to a real questioning of the various schemes and the bases and principles on which

they are founded? Throughout this study it is necessary to analyse in depth the factors which are believed to have most seriously hindered progress in integration or have even been the cause of its present crisis. Moreover, this crisis has coincided with a period of abnormal conditions in the world economy which have accentuated its effects through interrelationships that need to be studied in detail.

This sort of diagnosis attempts to find a way out of a situation in which the comprehensive schemes, such as LAFTA, have for some time past shown themselves to be ineffective, while the subregional schemes have not been equal to the task of resolving the problems brought about by their own progress. The way out must be sought in a wider context of less rarefied economic possibilities, through collaboration between schemes and other means capable of bringing the wide economic potential of integration into play. The integration process is still far from having reached its full potential, and the crisis finds it still in the phase of initial realization, in spite of the long period of time which has gone by since its inception.

The crisis can be approached on three levels: (i) as a crisis of opinion, in which less importance is attached to the process than it merits, or else it is simply ignored; (ii) as a crisis of achievements, which are interrupted or reduced by it; and (iii) as a crisis of perspectives, brought about by the lack of a realistic and adequate view of the potential — mainly economic, but also social and cultural — of integration.

The specific role of integration has not been fully appreciated, whatever the size of exports, and has been viewed only in terms of the scarcity of foreign exchange. It is reasonable to believe, however, that Venezuela, for example, needs *more*, not less, integration since it began to enjoy a big financial surplus, and the same could be said of Ecuador. The need for integration is not dictated only by payments problems, nor does it end when these are eased. This all forms part of the prospects and of the potential which the integration process has to offer, and is also related to the crisis of opinion mentioned above.

Looking towards the future, we should ask ourselves also whether the motivations which at the beginning led to a certain isolation of the different schemes, in order to protect their

programmes and not hold back their impulse with the introduction of more complex conditions, are still fully valid, as they well may be, or whether on the contrary those originally sound motivations have not outlived their useful life, yet still persist at a time when what is perhaps needed is not to isolate a scheme of advantages and links, but to endow it with greater capacity — through co-operation on a wider geographical and economic scale — to implement certain programmes and projects or to carry out certain economic policies of common interest. This seems to be the case in Central America, and perhaps also in certain aspects of the Andean Group. In general, the convergence of integration schemes could help to strengthen them and to alleviate or possibly even overcome the crisis.

(b) Inequality of development and equality of opportunities

This has been the Achilles' heel of integration. There are clear examples of cases in which, as integration progresses, there is an increasing tendency for the most backward country or countries to lag further and further behind and remain relatively under-privileged as regards its share of benefits generated by the process. It cannot be denied that there is a natural tendency for the least-developed countries to become the losers in integration processes, not because they do not obtain any benefits, but because their relative position within the group tends to deteriorate. In addition to these visible effects, however, the tendency towards the concentration

of benefits may be exercising at present a less intensive, less marked, but more pervasive influence which affects the integration spirit in general. In Latin America there are large numbers of poverty zones, and more than two-thirds of the countries of the region are economically a considerable distance behind the others: that is to say, they may be considered as relatively less developed countries. These facts, which could be overlooked in a limited and superficial integration scheme, become relevant precisely when an attempt is made to deepen the scope of integration, as in the case of the Central American Common Market and the Andean Group.

The Andean Group provides the first example in Latin America, and possibly outside it as well, of a case in which the only countries whose share of exports increased in the period 1969-1974 were the two least developed ones. Over those five years the joint share of these two countries increased from 16 to 24 per cent of intra-regional exports, and their trade balances were positive, with minor exceptions. Although other examples of the balancing effects of integration could be given, however, they are exceptions and do not reflect real improvements in the conditions of the productive structure, which are perhaps the principal determinants of balanced growth between countries.

In addition, when we look at the loss of momentum noted in recent years in some integration schemes, the heightened crisis in Central America and the stagnation of LAFTA, there is something in this series of manifestations, and in others which are wider in scope, that indicates the presence of factors of a general rather than a particular nature which in recent times have caused some resistance to further headway in integration and to the taking of further steps along this road, regardless of whether they have already been agreed upon or not. Such resistance, which is probably due to factors of many different kinds, may have been greatly influenced by the lack of equilibrium in development, by disadvantages already suffered, or simply by fear of them.

Another factor in this resistance is the lack of a clear view of the likely consequences of integration in general and its effects in the different countries. Such doubts hold up the progress of

integration and may lie behind many of the obstacles which it has had to face. This conclusion is inescapable. Even though this cannot be proved categorically, it would appear that the future course of integration in Latin America will be influenced very heavily by considerations of this kind, which hinge on the relative position of the countries and their capacity to take advantage of the opportunities which integration offers. This problem goes beyond the position of each country within the corresponding scheme, and extends also to the possible convergence of schemes and the relations between these and specific countries of Latin America (mainly the largest ones). The progress that can be achieved at these three levels is limited both by the tendency to concentration of benefits and by the uncertainty as regards the future position in the schemes mentioned earlier.

This problem should be dealt with in depth by analysing past experience, the reception and transmission of impulses, the possibilities of improvement, and the extent to which all these factors determine: (i) greater possibilities of communication and contact among countries at a similar stage of development; (ii) complementarity between integration schemes, and (iii) the additional task of achieving greater integration and co-operation between the more industrialized countries of Latin America.

Research and additional action are needed at these three levels, even in the larger countries. There are various reasons for this, but at the strictly economic level it should not be forgotten

that even in countries the size of the United States it has been estimated that 90 per cent of the enterprises would

increase their productivity and would obtain further economies if they could increase their production.

(c) The intensity of regional import substitution and protection

This matter has become one of general principle rather than of economic tactics. It gives rise to a confrontation of ideologies or positions which affect almost all the aspects of integration, and particularly that of industrial programming and the common external tariff.

This crucial point, which becomes of critical importance when the integration process reaches a certain stage, must be analysed. It is also found in the formative phase of the groupings, but it is most crucial when, as at present, it emerges at the application stage. The greatest risk, when this stage of divergence is reached, is to fall into a type of integration which either continues to make some progress but leads to neither industrialization nor greater interdependence and fails to generate clear guidelines in the programmes, or, on the other hand, stagnates because it pursues at the multinational level a degree of programming which is incompatible with the various national realities and policies.

What has occurred in the CACM, where these very points of view have been the subject of discussion, confirms the need for combining these two aspects as they are, in fact, combined in the corresponding agreements which assign an important role both to the forces of competition and to the planning of the

activities of those sectors which are considered to be strategic or of key importance to development. The problem lies, however, in the fact that free trade spreads day by day without the need for any sort of additional regulation whatever, whereas the development of programmed industries is bogged down in interminable negotiations, thereby disturbing the equilibrium which is being sought between the two elements.

In reviewing these and other aspects, it is suggested that the following be borne in mind: (i) the relationship between import substitution and the size of the market; (ii) the tendency of the small countries to aim at the higher level of substitution set by the largest unit of the integrated body; (iii) the new tendencies towards greater liberalization; stabilization of the import coefficient since 1960 and its increase in recent years; (iv) the expected growth of additional substitution on a multinational economic basis; (v) complementarity between exports within Latin America and those to third countries, by both large and small countries; (vi) the possible resultant production specialization, and (vii) the need for co-ordination of policies and programmes.

The purpose of studying these aspects must be to clarify the problem and to contribute ideas for overcoming

the major difficulty of finding a meeting point or narrowing the gap between the different theses and policies. These

are laid down in the agreements, but need a viability which they have so far lacked.

(d) *The world economic recession*

Even if the growing complexity and uncertainty of the world economy were to become less acute they would still continue to project their effects on the prospects and possibilities of integration and constitute one of the critical aspects of this process. Reference has already been made in other sections of this note to various repercussions of the world crisis on integration policies.

To these considerations it must be added that in any future attempt to revitalize the integration process — and such revitalization is essential — a bigger effort will be needed to make up for lost time. Such an attempt is not likely to begin at a moment when there is still an export boom, however, but at a time when there are already clear signs of its decline.

Sheer necessity alone might make it obligatory to find solutions to the Central American crisis, to the loss of momentum by the Andean Group and to the stagnation of LAFTA, but if solutions continue to be delayed or are not found at all, and *if integration policies are not capable of responding to the various upheavals in the world economy nor of combining with other policies to provide an answer to the demands posed by the world crisis, such demands will become a divisive element in the schemes, by the force of circumstances.* This could prove to be

a turning point which will put the whole strength and usefulness of integration to the test. Ways must be found of overcoming the relative immobility of the integration process and placing it in a functional relationship with the conditions, requirements and effects of the circumstances that at present characterize the world economy. If this is not possible, it could lead to a strong temptation to abandon the integration schemes in order to find solutions outside them.

Although a reaction of this type would be perfectly understandable, it must be realized that speaking of the relative immobility of integration does not mean that one should underestimate the forces which are apparently on the increase and which could in the future have a major impact on the economy of the countries. Thus, taking a long-term view, since 1950 the only category of exports which have persistently increased more than the product in Latin America have been those sold within the region. The rate of expansion of the intra-Latin American import coefficient increased throughout the entire period. Even in the period 1970-1974 this rate was double that of the previous decade, and in the 1960s it was double that recorded in the period 1950-1960. It is therefore a steady trend which could indicate the gradual building up of closer real links between

the economies of Latin America, albeit at a level which is still excessively low (3 per cent). It also gives grounds for believing that there are basic integration forces in existence which have been manifesting themselves for more than two decades within and outside formal agreements, although their more recent acceleration is a sign of the decisive impact of the latter.

Among these various considerations, attention should be given to the question of whether there is any tendency for the recession and the changes in the world economy as a whole to have such serious consequences for a number of countries as to weaken the possibilities of genuine multilateral co-operation and

lead to a search for bilateral solutions rather than overall ones, not only with regard to the more advanced countries, but also within the framework of the Latin American integration groupings themselves.

Furthermore, if the economic links between countries are to be strengthened, the consequences of the recession cannot be allowed to continue unchecked, since the difficulties thus raised could well increase with the duration of the crisis and reduce the relative impact of integration, either because they led to the narrowing at the national level of the different production gaps, or for other reasons which would have to be studied.

(e) *Bridging the production gaps at the national level*

Industrial demand in recent years has grown very rapidly, and the increase in the global import elasticity for industrial products in this period is well known. At the same time, however, and side by side with the increase in intra-Latin American trade, a clear tendency has also been noted in some countries to close the production gap on the basis of their respective national markets, which are generally inadequate. *This tendency is very marked in the dynamic industries, and specially in some of the metal manufactures and machinery lines which would normally constitute*

integration industries serving more than one national market. These tendencies, when duplicated in several countries, weaken integration possibilities and shorten the time available for integration.

The lag in integration and the recent world crisis are major causes of this propensity, which is also in keeping with the general thrust of import substitution. This subject needs to be studied with a view to determining the possibility of establishing multinational plans and programmes which could meet these needs with greater economy by widening the substitution framework.

(f) *The isolation of integration schemes*

Indiscriminate subregional substitution may lead to the integration of groups

which, with the passage of time, become new watertight compartments. Moreover,

to date there has been no clear tendency towards communication between the different economic groupings, but rather a certain propensity towards isolation, as far as real economic relations are concerned.

It is therefore necessary to examine ways in which a process of convergence between integration groups could alleviate some of the tensions existing in them and provide an impulse for their development by widening their scope as regards selected activities or programmes.

Generally speaking, it would be very useful to know whether at present a policy which pursues complementarity among integration schemes, specialization by specific countries and groups of countries, and the gradual expansion of the scope of integration would be considered realistic.

It also seems opportune to ask whether the setting up of possible multinational watertight compartments is a danger in itself, or whether the danger lies rather in the weakness of those "compartments", mainly owing to their tendency to stop halfway without achieving their final objectives. In the latter event — as in fact seems to be the case — the central objective of convergence would be to activate and strengthen the different country groupings,

which in turn is a requirement for broader integration.

At the other end of the scale it is necessary to study less formal modes of integration, which are not incorporated in any agreement among countries and which stem principally from isolated decisions taken by private enterprises, in many cases transnational ones. This matter must be studied from various angles.

These isolated actions may constitute unorthodox forms of economic integration, or they may involve forms of market distribution or other aspects which for various reasons may be contrary to, and in time hold up the advance of, the integration process. What is worthy of study is the measures of this type used in Latin America and the effects they have had. From a broader point of view there is also a widespread tendency for the integration machinery itself to seek practical, flexible, viable and productive projects which can rescue the integration process from relative or assumed stagnation. It is also necessary to look at these new policies, proposed within the framework itself of the integration organizations, and evaluate their possible future role as complementary aspects of general integration measures and as a part and result of the advance of integration itself.

Some CEPAL Publications

Economic Survey of Latin America, 1974. E/CEPAL/982, Santiago, Chile, April 1975, mimeographed version, 775 pages.

The annual *Economic Survey*, which has appeared since 1948, is the oldest regular publication of CEPAL and its purpose is to review, in the light of available statistics, the economic trends of the immediately preceding year. In addition, it usually includes a detailed analysis of some situation of particular importance, which, in the 1974 *Economic Survey*, was inflation.

The *Economic Survey, 1974* is divided into two parts. Part One analyses the inflationary situation in recent years in Latin America in general and in six countries in particular: Bolivia, Brazil, Colombia, Costa Rica, Ecuador and Uruguay. Part Two reviews the main economic trends observed in 1974 in nearly all the countries of the region.

An examination of the inflationary process shows that, to judge by the changes in the consumer price indexes, 1974 confirmed the trend which was already observable the previous year. In 12 of the 22 countries considered, price increases were appreciably greater than those recorded in 1973, six countries showed increases of the same magnitude as the year before, and there were decreases in only four countries.

The most significant fact in connexion with the rise in domestic prices in 1974 was the impact of imported inflation which altered the typical picture of Latin American inflation. The well-known internal disequilibria, combined with the external factors, generated processes with very different connotations from those of traditional inflation.

In the light of those aspects of the inflationary processes, three categories of countries may be distinguished in the region. In the first category are those in which external im-

pulses were predominant in the inflationary process and which recorded moderate price increases (between 10 and 22 per cent). It is composed of 14 countries, which comprise 40 per cent of the population and generate 44 per cent of the product of Latin America.

In the second category are six countries in which price increases ranged from 30 to 40 per cent in 1974, and both internal and external factors had a more or less equal impact. Imported inflation found fertile ground in these countries to take root and spread, favoured by internal inflationary factors which rapidly gained force.

Lastly, a third group consists only of Chile and Uruguay, in which inflation, besides being chronic, was also acute in 1974, with price increases of 376 and 107 per cent, respectively. Factors of different kinds predominated in the generation and sequence of the inflationary processes in these countries, and were merely exacerbated by imported inflation.

As noted earlier, Part Two of the *Economic Survey* is devoted to analysing the economic trends in 1974. That year, particularly the second half, represented an interruption of the favourable trends that had predominated in the external sector of the Latin American countries for a number of years. This was evident from the decline in the purchasing power of exports — except of the oil-exporting countries — which had recorded considerable gains in the two preceding years. To this must be added the weakening of demand from the industrial countries, a specially important factor for most Latin American countries, which directly influenced price trends and the volume of Latin America's external transactions. Lastly, the intensification and spread of the inflationary process, largely as a result of external influences, affected economic development during the year.

In spite of these none too auspicious circumstances, Latin America achieved in 1974, on average and for the third year running, a vigorous rate of economic growth in terms of an approximate increase of 7 per cent in the gross domestic product. This is slightly

lower than the 1973 rate and largely reflects the loss of momentum of the Brazilian economy, particularly in its manufacturing production. Excluding the considerable weight carried by this country in the regional total, however, the rest of the countries are observed to have exceeded the growth of the product achieved in 1973.

How did the region manage to maintain a satisfactory growth rate in 1974 in spite of the above-mentioned contingencies? The fact is that most of the economies showed a degree of flexibility that they no doubt lacked in the past. At the same time — and perhaps this is the most important factor — several countries used and combined a variety of economic policy instruments actively and with imagination, which helped to achieve those results in a deteriorating context.

Besides Brazil, other countries among those of relatively larger economic size saw their growth rate decline in 1974. They were Mexico, Colombia and, to a lesser extent, Venezuela. Venezuela's case is somewhat paradoxical in view of the considerable income it obtained from its oil exports; but the inconsistency arose from a drop in the production of oil, which coincided with the high prices reached. In contrast, Argentina raised the increase in its product from 3.8 to 7.2 per cent; in Chile, between 1973 and 1974 there was an obvious recovery following the decline in 1973, and in Peru the product also grew faster than in the previous year.

As regards the remaining countries, the evolution of the product was very uneven in 1974. Of the 19 countries considered¹, only six recorded a growth rate higher than the 7 per cent average, and three a rate of between 6 and 7 per cent. In the 10 remaining countries the rate of growth averaged 5.4 per cent, which was higher than in 1973 (3.1 per cent).

These trends represent an increase of 4 per cent in the per capita product for the region in 1974; however, only six countries exceeded this average and another twelve failed to reach 3.5 per cent, which is the rate

¹In calculating the gross product, Cuba was excluded for want of sufficient data, and the countries and territories of the Caribbean, for lack of such data at constant prices.

laid down in the International Development Strategy for developing countries in the present decade. The slow growth of the per capita product takes on even more dramatic significance if it is associated with the meagre absolute levels of not a few of the Latin American countries.

Outstanding features of the performance of production by sectors were the recovery of agricultural activity and the significant loss of impetus in manufacturing. Construction and basic services intensified their growth, which, however, tapered off in other services.

Latin American development and the international economic situation. Second regional appraisal of the international development strategy E/CEPAL/981, Santiago, Chile, 1975, mimeographed version, 880 pages.

At the beginning of the 1970s, the United Nations General Assembly proclaimed the Second Development Decade (1971-1980) and adopted an International Development Strategy (IDS)² to guide the governments' action in this field. The IDS laid down economic growth and social development goals and objectives, and national and international policy measures for achieving them.

At the same time, General Assembly resolution 2626 (XXV) provides that periodic regional appraisals should be carried out in order to determine what progress has been made towards achieving those goals and objectives. In the case of Latin America, the appraisals should be made by the Economic Commission for Latin America (CEPAL) at its biennial sessions, on the basis of information and analytical documents prepared by the secretariat of the Commission with the purpose of facilitating the appraisal work of the government

²*International Development Strategy for the Second United Nations Development Decade*, United Nations Centre for Economic and Social Information, New York, 1970.

representatives. Two such appraisals have been completed, the first at the Commission's fifteenth session (Quito, Ecuador, 1973) and the second at its sixteenth session (Chaguaramas, Trinidad and Tobago, 1975)³. The CEPAL secretariat attaches great importance to these appraisals and devotes a considerable part of its work to their preparation. The publication summarized here is the result of the activities carried out in connexion with the Second Regional Appraisal of the IDS⁴.

Part One of the publication analyses economic and social development between 1970 and 1974 from both an overall and a sectoral point of view. Part Two focuses on the external economic relations of Latin America and the international situation, while Part Three presents economic and social indicators on which the above analyses and interpretations are based.

Its most notable conclusion is at first sight paradoxical: in the early 1970s the economic growth of Latin America as a whole was more vigorous than in the past and exceeded the minimum target of a growth of 6 per cent annually in the gross domestic product laid down by the IDS, while its economic and social structures changed significantly. Such growth and changes, however, failed to comply with the IDS commitments at both the national and the international level; they failed to palliate the concern about present deficiencies and future perils of the prevailing style of development; and they have subjected to new requirements the countries' capacity to adopt a united stand in meeting new challenges.

In the short period since the beginning of the 1970s three different but overlapping stages may be distinguished. The first stage,

from the end of the 1960s to 1972, was one of fairly steady growth; industry and construction were dynamic elements, but the decline in agricultural production in 1971-1972, mainly owing to weather conditions, was a serious setback. The second stage, between the end of 1972 and the end of 1973, marked the beginning of a vigorous improvement in the terms of trade of several of the region's major commodities, although the improvement merely compensated for the deterioration in the previous decade; export agriculture responded to the price stimulus in the same way as other export activities, and the economic growth rates of several countries increased. In the third stage, particularly in 1974, various repercussions of the world depression made themselves felt in the region: substantial and immediate profits for the oil-exporting countries; further price increases for some agricultural and mining products and a sharp drop in the price of others; the threat of the world centres restricting the increasing exports of manufactures from Latin America; the spectacular rise in the price of imports, especially for countries without domestic supplies of oil; and increased pressures on the balances of payments owing to the combined effect of the cost of imports, amortization of the external debt and remittances of profits abroad. This led to increasing rates of inflation, with the resulting social tensions, in nearly all the countries in the region. Moreover, the protection measures adopted by the world centres produced a feeling of insecurity and anxiety, in marked contrast with the optimism of previous years.

On the whole, the gap between the development capacity of the Latin American countries and their achievements is seen to have widened. In several chapters it is noted that the countries possessing the largest territories comprising roughly three-quarters of the regional population establish the averages for Latin America, and two or three of the smaller countries conform to those averages for special reasons. The remaining countries — which in spite of being more numerous have less than a quarter of the regional population — found themselves in a worse situation at the beginning of the decade, according to most of the indicators, and since then they have lagged

³These two appraisals, referred to in CEPAL resolutions 320 (XV) and 347 (XVI), are contained in *Regional appraisals of the International Development Strategy*, Cuadernos de la CEPAL series, No 2, which is summarized later in this publication.

⁴This publication served as a basis for the preparation of the document *Latin American development and the international economic situation. Second regional appraisal of the International Development Strategy. Abridged version*, which is summarized later in this publication.

behind as regards rates of growth and structural changes and seem to be especially vulnerable to the current depressions.

Within each group, of course, the countries differ from one another in important respects, which are duly analysed. There are also a few countries which are excluded from both groups either because their development strategies are radically different or because they have experienced internal political and economic crises which distinguish them from the rest.

Recent developments confirm the validity of the recommendation formulated in the Quito Appraisal concerning integrated development, but they also bring out the difficulties involved in its implementation. On the one hand, there has been less progress than might have been expected in reconciling high rates of economic growth with a more equitable social order. In the years when economic growth rates were favourable and export prices higher, there was a well-known tendency to postpone structural reforms in the hope that in time such growth would pave the way for an easier solution to social problems. On the other hand, the present insecurity has made the obligation to alleviate social tensions and remedy unemployment and poverty increasingly inescapable. This has gone beyond the capacity of the governments, particularly of the smaller countries, to organize their action in an integrated development strategy and distribute the resources on the basis of long-term plans. Indeed, the depressions force them to devote a major part of their attention and resources to dealing with the lack of essential imports, export surpluses which fail to find an adequate market, and different kinds of financial disequilibria which include price fluctuations. At the same time, the objectives of redistributing income and obtaining full participation in decision-making, which are of fundamental importance within the concept of integrated development postulated by the Quito Appraisal, come up against the need to centralize decision-making with the object of dominating unstable situations which discourage production, foment speculation and stimulate the most powerful groups to promote their own immediate interests at the expense of the rest.

Lastly, the publication stresses that the most dynamic opportunities of economic growth in the medium term are connected with a new international division of labour emerging under the aegis of transnational enterprises, which presents complex challenges to the unity and autonomy of development strategies at both the regional and the national level. From the national standpoint, the formulation of an integrated development strategy with ample social support becomes a vital means of orienting production, consumption, investment and the use of resources. From a regional angle, the integrated strategy becomes an essential instrument for achieving a new and more equitable international economic order.

Population and development in Latin America E/CN.12/973 and Add.1, Santiago, Chile, March 1974, mimeographed version, 371 pages.

The idea of issuing yet another publication with the word "population" in the title would seem to suggest excessive audacity or ingenuity. The explosion of documents and exhortations on this subject is leaving the "population explosion" behind. The growing tide of posters, leaflets, picturesquely illustrated periodicals and technical monographs which institutions of many countries in the world distribute profusely in Latin America no doubt offer more than people wish to know about all aspects of the subject. Any statement by an eminent person that population is an Important Problem is disseminated throughout the world. We might deduce from this the underlying assumption — natural enough in the international bureaucracies — that the best way to deal with an Important Problem is to drown it in papers.

The unprecedented speed of the increase and spatial redistribution of the Latin American population is, however, real. To those who interpret the development process and policy options, they represent specific challenges which cannot be ignored on the grounds

that the world campaign distracts attention from really decisive development problems, nor can they be resolved by inserting prefabricated universal "solutions" in development policy. It is even possible that there still remains something to be said about the peculiar features of demographic change in Latin America, its etiology, prospects and repercussions on development, which cannot be easily inferred from demographic and medico-biological literature, publicity campaigns or apocalyptic warnings. The studies collected in this document are based on the foregoing assumptions and represent the contribution made by the secretariat of the Economic Commission for Latin America, with the collaboration of the Latin American Demographic Centre (CELADE), towards achieving the following aims:

(a) To evaluate and improve the basic information on the main demographic variables in order to make valid generalizations, to determine their reciprocal relations with other phenomena, and to prepare future projections;

(b) To examine the relations between "population" and "development" with a view to obtaining, instead of a confrontation between abstract concepts, a coherent group of proposals linking the real processes of economic, social, political and demographic change at the regional and national levels;

(c) To define the scope and content of "population policy" — i.e., the measures through which the State attempts to influence the demographic variables — under existing conditions, and to explore its potential scope and content if the ideal aim of integrating it in overall national development policy is achieved; and

(d) To present objective results to governments and the general public in readily understandable terms.

This work has been done concurrently and in constant co-ordination with broader attempts to analyse economic and social change in Latin America, to explore the characteristics and functions of the main areas of social policy within the societies of the region and, lastly, to arrive at a unified approach to development analysis and planning.

In the various research activities, demographers have worked together with economists, sociologists, politologists and specialists in social policy from different media. To reconcile the different methods and interests of the representatives of these disciplines has not been easy, nor has it been fully achieved, but it has been a fruitful experience.

In spite of the different approaches and interests involved, those who have participated in CEPAL's research programme agree that the population problem is a complex one, that its characteristics differ from one country to another and that overall solutions are not feasible. They do not expect their work to culminate in the assertion that population growth is incompatible with development and that all responsible governments should immediately place in the forefront of their development strategy a widespread family planning or fertility control campaign. Nor are they attracted by the opposite position that the world campaign in connexion with population is an imperialist plot and that the "problem" will be automatically solved with the advent of a different social order.

The studies presented here consider that the spatial redistribution and concentration of the population are as worthy of interest as population growth and are probably more easily modified with short- and medium-term public policy instruments. They assume that the repercussions of population growth and redistribution on development depend in many ways on the economic and social structures in which they evolve, the style of development preferred by the dominating social forces — i.e., the image of the future social order underlying the struggle for development — and the combination of means which the capacity and values of society make available for bringing the real situation closer to the image. Situations which in a particular development style constitute a burden or a limitation, in another may be incentives, resources or simply neutral factors. The studies abstain from carrying this line of reasoning to a doctrinaire conclusion, however. They recognize that population growth at the high rates observed recently in Latin America and the forms currently taken by the redistribution of the population are formid-

able barriers to development, however development may be defined or pursued. Governments will not be able to refrain from intervening on an increasing scale, whether or not they can integrate their intervention in overall development strategies, and whether or not they consider such intervention to be decisive. To a great extent, they will have to determine what they can do, and struggle with thorny questions of values, rights and popular demands in their path, while they try to exercise or perfect limited and experimental forms of intervention in the processes of demographic change. The Latin American societies, like those in the rest of the world, are initiating a revolutionary change of attitudes to fertility and family life, a change which is interrelated with technological progress in birth control facilities, and with changes in production and consumption patterns, styles of living and forms of human settlement. The capacity of public policy and publicity campaigns to influence the rate and direction of these changes should not be under-estimated, but neither should they be exaggerated. Demographic changes start off somewhat slowly, but once a process of rapid decline in fertility or urban concentration is under way, past experience suggests that the State's capacity to modify or reverse the trend in terms of new interpretations of national priorities is small, or at best it may have results only after a fairly long time. The studies presented here suggest, *inter alia*, that the supporters of uniform, urgent and large-scale population policies would do well to reflect on the old proverb "you can take a horse to the water but you can't make it drink".

América Latina: Integración económica y sustitución de importaciones. Juan Ayza, Gérard Fichet and Norberto González. Fondo de Cultura Económica, México, 1973, 232 pages.

What role can the basic industries play in the development of Latin America in the coming years? Is a policy of exportation of manufac-

tures, fundamentally in the sectors which have already reached a high level of efficiency, enough to keep up Latin American development? Is import substitution as worn out as is generally maintained?

What can economic integration contribute to the development of the countries of Latin America? Is it important only for the medium and small countries with small-scale markets, or also for the larger countries? Are the latter's markets really big enough to enable them to export their manufactures directly to the international market, without concerning themselves with the Latin American market?

What relationship is there between economic integration and the way in which industrial development is tackled, either as a process of import substitution or of exportation of manufactures, or a combination of both? Does integration concern basic industries in particular?

Should integration be attempted only through free trade or is a minimum of regional programming, or at least of harmonization of development policies, necessary to achieve it?

Have the favourable effects of integration on the development of the Central American countries been great? Were they of little significance, as is generally maintained, in the case of the Latin American Free Trade Association (LAFTA)? Are the problems of equilibrium among the countries which integrate really serious?

These are the questions which inspired this work, and although it is still impossible to answer them fully, consideration of them may make a very significant contribution to the clarification of the problems which provoke them. To this end, economic integration must be conceived as a process which is closely linked to industrial development, to the transformation of trade and the changes in the productive structure.

The process of industrialization and development in Latin America is passing through a transition period. The stage of development based almost exclusively on the policy of import substitution aimed at the domestic market of each country has been passed. The exportation of manufactures in the Latin American sphere

and towards the rest of the world has already reached a considerable volume in a number of countries of the region, and is now fully established, although in some fields it still retains a somewhat incipient character, as is shown by the relatively small volume of industrial production devoted to such exports.

In addition, the reaction against the unquestionable defects of a process of import substitution undertaken exclusively within the limited sphere of each national market has been very strong, both from the intellectual and the applied policy standpoint. There is criticism of the low level of efficiency of many industrial activities which have grown up under very strong and indiscriminate protection; there is seen to be a contradiction in the under-utilization of capacity of many industrial sectors in countries with a serious shortage of capital; there is concern at the limited capacity of productive absorption of labour by the light manufacturing industry at a rate of industrial growth which has been insufficient on the long-term average, and has failed to stimulate more energetic creation of employment opportunities; and there is criticism of the workings of a manufacturing industry whose market only includes a limited part of the population and excludes vast sectors whose weak purchasing power prevents them from having a positive influence on development through their demand.

In the field of practical economic policy, there has been a good deal of change in the performance of the economy of many countries, resulting in an economy which is much more open to the exterior, as is reflected in the rapid growth of imports.

Much of the criticism of some of the main features of the import substitution process in the past are unquestionably well-founded. However, this does not justify a swing of the pendulum to the other extreme of ignoring the indubitable progress which has been made in industrialization and development, in the creation of a manufacturing infrastructure as a result of which new stages may be envisaged, in the acquisition of productive and organizational experience and labour skills at every level so that in many cases

competitiveness is at the level of the conditions of the international markets.

It is essential to form a correct judgement on import substitution and industrialization so as to interpret correctly the nature of the stages which lie ahead and determine the most suitable development policy orientations.

It is necessary to go beyond simplistic arguments, mistaken because they are general, in which the exportation of manufactures and import substitution are confronted as supposedly antagonistic policies. Country and sectoral analysis, and the existence of the regional as opposed to the national dimension, give a more correct view of the influence of basic industry and economic integration in the development of the countries of Latin America.

The extraordinary international economic boom in 1972 and 1973, together with other circumstances, was reflected in the record growth of the prices of the traditional exports of Latin America and of the amounts both of these primary goods and of manufactures sold abroad. The reversal of these trends in recent years has lowered the rate of growth of Latin American exports outside the region and has raised the prices of Latin American imports more than those of its exports.

Regional economic co-operation and the development of some activities which produce capital and intermediate goods should be carefully reconsidered with a view to adapting them to future economic conditions. This book attempts to contribute to such a reconsideration.

Mujeres en América Latina. Aportes para una Discusión. Fondo de Cultura Económica, Mexico, 1975, 204 pages

The status of women is a question with which the United Nations has been concerned since the 1940s. However, until the beginning of the 1970s it was merely a concern of specialists who reported to a commission, composed almost entirely of women, which was fighting to obtain equality of political rights and the

elimination of the inhibitions and discriminatory practices with which women were faced in the laws and customs of the different national societies. The links between this effort and the multiple social and economical development activities carried out by the United Nations family were limited and weak. The rather sudden increase in world interest in the problem, which led the United Nations General Assembly to proclaim 1975 as the International Women's Year, is due to a number of reasons which need not be studied here. For the time being, it is important to point out that the increasing importance of the status of women is directly carried over into the efforts to relate the problem of women with all the other broad subjects with which the United Nations bodies are currently concerned: population, employment, food supply, human environment and, finally, the general topic of "development".

These attempts are legitimate and inevitable. The international and national dialogue should strive to integrate these and other subjects in a coherent view of the measures which mankind should take in the near future to achieve a social order which can conciliate freedom, justice, creativity and material welfare as well as the protection of the ecosystem and the basic natural resources which are vital to posterity. However, the emergence of all these important and complex problems, each of which is brought to the forefront and interpreted in a different way by the various currents of opinion, is generating such a plethora of meetings, declarations and plans of action that public opinion may form the confused impression that anything at all calls for the highest priority and that everything is interrelated with everything else in a world which is already interrelated to the full.

The *real* role played by women in the processes of social and economic change underway, which may or may not deserve the name of "development", and the *potential* role they should play as equal partners in more genuine processes of "human development", have been the object of far less attention than they deserve since "development" was first set up as an international

goal, and this is true both of the Economic Commission for Latin America and of the other international organizations. Therefore, now that CEPAL is belatedly tackling the problem it would not be right to try to make up lost time by mechanically applying to Latin America a mixed bag of ready-made conclusions already formed at the world level.

It was considered preferably to approach the problem in two ways: firstly, through a series of documents for discussion based on different points of view and disciplines relating the participation of women in development to the collection of ideas and information which CEPAL has elaborated and is permanently revising, in other words, to the definition of optional development styles; to the identification of the changes which have occurred in the social structures and value systems of Latin American society, and to the study of the trends in the use of labour and in the distribution of the benefits of development. Secondly, through exploratory research based mainly on the compilation and interpretation of data already available on the real situation of women in the various Latin American national societies and in the different social classes.

The collection of studies presented here responds to both approaches. It does not claim to offer CEPAL's position as an institution on the subjects studied, but instead presents five personal contributions of a provisional nature, whose purpose is to stimulate greater future discussion and facilitate the formulation of some working hypotheses.

The first of them, written by Marshall Wolfe, sets forth in a general way the problem of the participation of women in development in Latin America, while the second, by Jorge Graciarena, analyses sexual inequality in class societies. The other essays attempt to characterize empirically some of the problems facing women in present society, particularly in relation to the world of work. They comprise contributions by Henry Kirsch who, with a good collection of statistics, studies the participation of women in the Latin American labour market; Liliana de Riz, who studies the same phenomenon in Mexican society, and M. Teresita de Barbieri who outlines the

fundamental aspects of the social participation of women in Latin America.

While all these contributions are of a personal nature, they are linked together by the main problem which was to be studied under CEPAL resolution 321 (XV), namely, "the participation of women in the development of the region".

The final part contains the report and recommendations of the "Regional Seminar for Latin America on the Integration of Women in Development with Special Reference to Population Factors", organized by the United Nations Centre for Social Development and Humanitarian Questions with the collaboration of CEPAL, held under the auspices of the Government of Venezuela in Caracas from 28 April to 2 May 1975.

América Latina y los problemas actuales de la energía. Fondo de Cultura Económica, Mexico, 1975, 568 pages

This book comprises 14 papers presented at a symposium on energy problems in Latin America, co-sponsored by CEPAL and ILPES. The symposium was held in Santiago, Chile in September 1974.

Part One consists of two studies prepared by the CEPAL Division of Natural Resources and Environment. The first of them, "América Latina y los problemas actuales de energía"* focuses on three fundamental questions: first, in what sense, if at all, can it reasonably be maintained that the world is currently facing an energy "crisis"; second, what are the immediate economic and financial repercussions of the rise in world petroleum prices for the Latin American countries with a petroleum deficit; third, what options are open to the Governments of those countries to tackle the unfavourable consequences of the higher world petroleum prices.

*An English version of this study was issued in mimeographed form under the title "Latin America and the current energy problems".

The second, "Los nuevos precios del petróleo y la industria eléctrica en América Latina", studies the effects of the higher price of imported petroleum in the generation component of the Latin American electrical energy industry. It examines to what extent the price of imported petroleum tends to raise the cost of energy production in the region. Finally, it analyses the effect of the higher prices of petroleum on the competitive viability of the options in generation technology in the Latin American energy industry.

The twelve documents contained in Part Two together study a series of specific economic problems raised by the sharp rise in the price of petroleum in the international market. The CEPAL study "Incremento de las necesidades de inversión originadas en el aumento del precio del petróleo" focuses on the possible size of the greater capital needs of a number of Latin American countries as a result of the rise of world petroleum prices.

Another CEPAL study, "Efectos del nuevo precio del petróleo en el transporte latinoamericano" briefly analyses the repercussions of the higher price of world petrol on the final costs of transport in the countries of the region which have a petroleum deficit. The paper also studies a series of political options open to those countries to meet the effects of the higher price of refined petroleum products in their national transport industries.

In his study "El carbón latinoamericano y sus perspectivas", R. Suárez studies the structure and eventual viability of the coal industries of the region.

The study by R. J. Perkins of FAO, "La crisis de la energía y la agricultura. Evaluación de los antecedentes", studies the background of the world energy crisis and its main economic repercussions. It then focuses on the effects of the crisis on world agriculture with special emphasis on the possible changes in the relative competitiveness of agriculture raw materials and their substitutes.

The paper "Perspectivas de la oferta y la demanda de energía 1980-1985", by E. Friedmann (IBRD), describes the basic forces which led to the sharp rises in the world price of petroleum which have occurred since the

beginning of the nineteen-seventies. The author also studies the main factors which, in his opinion, will condition world energy supply and demand in the next decade.

The study "América Latina y los precios de los productos básicos en 1973 y 1974", submitted to the symposium by OAS, analyses the key forces underlying the rise in the prices of basic raw materials in 1973 and 1974. It also studies the immediate outlook for the prices of these basic products, many of which are among the main exports of Latin America.

In his work "América Latina y el déficit de petróleo. El proceso de ajuste a largo plazo del balance de pagos", J. González (IDB) explores the immediate outlook for the Latin American economies in respect of balance of payments. The author then studies the possibilities of those countries receiving additional external financial assistance to moderate the pressure on their balance of payments caused by the higher cost of imported petroleum supplies. He concludes by considering a number of long-term economic adjustment processes initiated by the higher world price of petroleum.

The document entitled "Posibilidades de aprovechamiento de los recursos energéticos en los países en desarrollo, con especial referencia a la América Latina" underlines the need to place greater emphasis on energy planning in national plans. Its author, S. Rao (Chief of the Energy Section of the Resources and Transport Division of United Nations Headquarters) also stresses the importance of focusing on the possible usefulness of non-traditional energy sources to satisfy domestic energy needs.

The study "Centroamérica: evaluación del impacto de la crisis de energía en el transporte automotor", prepared by the CEPAL Mexico Office, evaluates the effects of the crisis on the cost of motor vehicle transport in Central America. The study goes on to discuss a number of policies adopted as a reaction by the Central American countries to mitigate those effects. The study concludes with an analysis of a series of considerations on tax and tariff policies, investment policy and outlines for possible institutional reforms.

"El reciclaje de los excedentes cambia-

rios debidos a la exportación del petróleo", by W. Robichek (IMF), studies the international financial problems caused by the higher price of petroleum on the world market. The author describes the operation of the oil Financing Facility of the International Monetary Fund and studies the role it should play as the main element of the international process of financial adjustment.

The study by S. Singh (IBRD) "Productos primarios, Perspectivas de América Latina" studies the recent changes in the prices of basic products, including petroleum. The author studies the short-term prospects for the prices of these products, as well as the conditions which, in his opinion, the market should possess so that the developing countries can successfully pursue specific policies aimed at protecting and stabilizing the prices of their basic export products.

Finally, B.F. Grossling (USGS)⁵, in "Las perspectivas del petróleo latinoamericano y la crisis de energía", studies the possible size of the economically exploitable petroleum reserves of Latin America. The author examines the relative lack of petroleum exploration activities in Latin America and indicates the possibly vast potential petroleum reserves of the region. Finally, he mentions the immediate need to step up the search for petroleum in Latin America as a rational reaction to the higher price of petroleum on the world market.

Latin America: the new regional and world setting Cuadernos de la CEPAL series, N° 1, Santiago, Chile, 1975, 49 pages.

This publication, which opens the CEPAL Cuadernos series, consists of the speech made by the Executive Secretary of CEPAL, Enrique V. Iglesias, at the sixteenth session of the Commission, held in Port of Spain in May 1975.

It is not, as might be thought, a ceremonial speech or an administrative report. On the contrary, it attempts very frankly to characterize

⁵United States Geological Survey.

the economic situation of Latin America and its main problems, in order to outline possible solutions and the contribution which might be made towards them.

After recognizing the noteworthy growth of Latin America in the last quarter of a century — its present total product is the same as that of Europe in 1950 — and the profound changes this has brought with it, it emphasizes the great dilemmas which have not yet been solved, and to whose solution the greatest possible efforts will have to be devoted. Thus it stresses the fact that a large part of the Latin American population has not shared in the process of the growth of wealth, either actively or as a recipient of the benefits of progress. The eradication of poverty and marginalism (economic, social, political and ethnico-cultural) is therefore one of the main challenges facing the region. To achieve it, the predominant styles of growth must be transformed, so that the mass of the population may be incorporated in the production and consumption process.

The greater part of the speech, however, is devoted to the problems of the external sector, once again brought to the fore by the changes of recent years. It recalls that the growth of the Latin American economies was predicated upon the developed countries, and it is thought likely that the latter, with the fall in the growth rate of their economies, will attempt to change their nature and seek "better", and not necessarily "greater" development. In such conditions, the future is not promising for the Latin American economies. The contraction of demand for export products, the gradual deterioration in the terms of trade, the decline in the flow of external private capital and the drop in financial assistance are aspects of the present picture which will unfortunately persist in the next few years.

In the face of this, the Executive Secretary outlines some of the actions which should be taken promptly and firmly; the broadening and deepening of the regional integration process; the active participation of a united Latin America in the shaping of a new international economic order, particularly in the field of raw materials; and, at a more immediate level, the establishment of a "safety net" to meet the

balance—of—payments crises of the countries of the region.

In sum, it is a concise synthesis of the Commission's thinking at the present time and of the direction of its efforts.

The regional appraisals of the international development strategy. Quito, Ecuador, 1973. Chaguaramas, Trinidad and Tobago, 1975. Cuadernos de la CEPAL series, No 2, in the press.

This Cuaderno contains the texts of the two regional appraisals adopted by Government representatives at the fifteenth and sixteenth sessions of CEPAL.⁶ They are therefore an excellent indication of what the Governments of the region think about the course of the Strategy, and they summarize the main economic and social problems of recent years.

As is well known, these appraisals of the Latin American economic and social process are carried out by contrasting it with the goals and targets set out in the International Development Strategy (IDS); it should, however, be pointed out that the second appraisal took into account for the purposes of comparison the suggestions not only of the IDS but also those stemming from the Declaration and Programme of Action on the Establishment of a New International Economic Order, the Charter of Economic Rights and Duties of States and the basic conclusions of the United Nations conferences on population and food.

It should be stressed that both appraisals find it necessary to begin by reaffirming the basic criterion of "integral development", in order to avoid the simplifications to the effect that development is merely economic growth and that, as such, it can be evaluated by using a small collection of indicators. The reaffirmation of this idea indicates both the need to apply it and the persistence of the "economistic" ideas which it is desired to root out.

⁶See the summary of the document *Latin American development and the international economic situation. Second regional appraisal of the International Development Strategy*, on page 7 of this publication.

To aim at integrated development is to undertake action which will bring about accelerated economic growth and, at the same time, a fairer social order, which naturally cannot easily be achieved, particularly in times of economic difficulty. The same should be said of the concept of integrated development, if it is understood in a strictly academic way; the recent history of the social sciences — both in national and international circles — shows how slow and difficult is progress towards a unified approach to development.

Both appraisals review critically the problems of Latin American development: the persistence of social problems such as poverty, unemployment and underemployment; the inequality in income distribution; the lack of social and political participation; the uneven economic growth rate among countries of the region, which causes the disparities among them to increase; the incoherences caused by the prevailing style of growth, such as so-called structural heterogeneity; the commercial, monetary and financial imbalances created by the unfavourable international situation; the persistent difficulties in the mobilization of internal resources; the rigidity of the traditional structures, etc.

Clearly, the problems are not new, nor is it original to expound them. Nevertheless, it is unquestionably important that they should have been raised as such in the regional sphere and, furthermore, that some measures have been outlined to deal with them successfully. Thus, in the final part of the Chaguaramas appraisal (page 57 and following) there is a detailed Plan of Action setting out international and regional measures. The international measures deal, *inter alia*, with basic products, the exportation of manufactures and the generalized system of preferences, multilateral trade negotiations, reform of the international monetary system and external financing, transnational enterprises and the transfer of technology. The regional measures include those connected with regional trade and industrialization, infrastructure and co-operation in relation to financial questions and basic products.

Desarrollo humano, cambio social y crecimiento en América Latina. Cuadernos de la CEPAL series, Nº 3, Santiago, Chile, 1975, 96 pages.

This Cuaderno contains the first two chapters of *Latin American Development and the International Economic Situation. Second Regional Appraisal of the International Development Strategy*, which deal globally with economic, social, population and political questions.

On economic questions, the study provides a wealth of information on the main features of Latin American growth: the changes in production and real income, sectoral production trends, the availability of resources and final demand for them, savings and capital formation, consumption, price changes and inflation and, finally, the external sector. It clearly shows the contrast between the picture provided by the global indexes of the region and that given by research into specific areas.

From the study of the majority of the indicators of significance for economic growth, there can be no doubt that the period 1973-1974 stands out as one of the most dynamic in the recent history of the region, with sustained progress and rather small fluctuations.

However, the overall picture hides very sharp contrasts. It is sufficient to pass from the global indicators to those of some countries to prove that the general rule, while valid and important in itself, has some clear exceptions.

If more careful attention is paid to this world and regional situation of productive dynamism, and of growth of trade and financial flows, it will be seen that this cycle has probably been one of those showing the most disparities in the distribution of costs and benefits.

Contrary to past experience, in which usually, although with varying intensity, the favourable or unfavourable effects of boom or crisis periods are spread more widely, in the latest period the situations were more extreme. Particularly in 1973-1974, countries which were badly hit existed side-by-side with others which benefited greatly from the course of events and, particularly, the effects of rising petroleum prices. The contrasts are very great if the countries are examined separately or grouped

in different categories, if events in the different productive sectors are studied, or if the share of the different classes and regions in social well-being is analysed.

The most interesting part of the Cuaderno is the section related to the analysis of social and political questions; not only because of its polemical contents, but also because it shows that CEPAL is combining the study of these phenomena with a clear interdisciplinary effort, stressing that it is vital to understand them thoroughly in order to describe or interpret Latin American development.

Based on the controversial concept of "styles of development" — the arguments on this subject have been collected in some articles of this opening number of the Review — it is attempting to explore paths which could allow it to gain a richer and more complex and heuristic view, without abandoning the traditional analyses of the economic process.

Thus the report studies the contradictions in the styles of development, the role of the State and the political framework, the demographic process, the most important changes in occupational stratification and income distribution, the persistence of the problem of poverty and unemployment and underemployment, the development of some social sectors — nutrition, housing and education — and the specific problems of youth and women.

The zealous reader will probably find that there has been a desire to say a great deal in a few pages. Perhaps greater justice would be done to the study if it were considered as the initial outline of subjects which should be explored more thoroughly in the future. In fact, a number of them are already being studied in greater depth, including the changes in occupational stratification, income distribution, the educational process and its policies, and the status of women.

Relaciones comerciales, crisis monetaria e integración económica en América Latina*.
Cuadernos de la CEPAL series, N° 4, Santiago, Chile, 1975, 85 pages.

*An English version appears in the document *Latin American Development and the international economic situation, op. cit.*, pp. 128-255.

The first part of this Cuaderno is devoted to the analysis of trade relations between Latin America and the more important economic areas. It is common knowledge that the greatest difficulties have arisen in relations with the European Economic Community (EEC). Generally speaking, excluding the application of the Generalized System of Preferences through which the access of manufactures and semimanufactures to the EEC market gradually improved, there were no significant gains by those developing countries which did not have associate status with the Community. In respect of a few products there was even some deterioration, caused mainly by the maintenance of the protectionist features of the common agricultural policy; the more extensive and firmer links of the Community with a large number of present and potential competitors of Latin America, mainly in respect of primary products (particularly the signatories of the Lomé Convention); the intensification of special relations with the Mediterranean countries; and the establishment of the free trade area with the member countries of the European Free Trade Association (EFTA).

The United States continues to be the most important buyer of Latin America's exports, and this region is in turn a very important customer for several of its products, particularly steel and chemical products, clothing and footwear. But the Trade Act 1974, which expresses important aspects of the trade policy of the United States, was a cause for concern in Latin America owing to the restrictions it establishes as regards trade practices such as producers' associations, export subsidies, etc.

It is for this reason that the report suggests that the line of action to be followed in relations between Latin America and the United States should be sought in the generous and full application of the Generalized System of Preferences, the expansion of United States assistance in export promotion, inter-American co-operation in order to reach international agreements on commodities, joint efforts to secure a multilateral approach in "north-south" relations, co-operation in favour of import and service substitution, etc.

The first part concludes with an analysis

of the increasing trade relations between Latin America and Japan and the socialist countries.

The second part analyses the crisis in the international monetary system and external financing. The introduction draws attention to the fact that the conditions in which external financing has developed in recent times were particularly influenced by the crisis in the monetary system and the general economic situation. The shortcomings of the Bretton-Woods agreements as regards adjustment procedures and liquidity assumed importance with the changing of world economic and political conditions. At the same time that a larger number of countries began to assume economic importance, that new currencies were contesting the predominant role of the dollar, that international financial markets were developing, that the movement of capital was being facilitated, and that United States dollars were being accumulated by foreign countries owing to the continuous deficit in the balance of payments of that country, the flows in the adjustment procedure made it impossible for the system of more or less fixed currency parities to operate, and led to the widespread floating of the major currencies. This produced greater uncertainty in financial markets and more instability in the developing countries, thereby increasing their needs for finance.

The crisis in the monetary system and the international economic situation combined to form an extremely difficult setting for external financing in all its major forms. Access to private financial markets became more difficult, more risky, and more expensive, official development assistance fell as a proportion of the gross national product of the donor countries, and direct external investment was not encouraged by the economic difficulties of the industrial countries.

The study concluded with a review of the wavering approach to economic regional integration, in recent years. Following the auspicious beginning of Latin American integration during the 1960s, there were periods of crisis in the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM), and the revival of the process with the establishment of the Andean

Group and the Caribbean Community (CARICOM), previously CARIFTA.

It is still too early to evaluate the significance of the Andean integration process as a means of resuscitating Latin American integration. But the report points to the importance of the future task of planning the possible paths for the confluence of the three subregional integration groups, among themselves and with larger countries, as well as the future role of LAFTA.

Latin American development and the international economic situation. Second regional appraisal of the international development strategy. Abridged version. E/CEPAL/1004, Santiago, Chile, 1975, mimeographed version, 94 pages.

This summary of the document outlined in preceding pages⁷ is divided into two parts. The first describes the economic and social development of Latin America with special reference to the period 1970-1974 bringing it as far as possible up to date, despite the lack of data for recent years on many important categories and the fact that for some sectors it was only possible to present identifiable trends using 1960 and 1970 census data. The second part describes recent international economic trends and their impact on Latin America, and seeks to determine to what extent the actual economic changes at international level are temporary, and to what extent they constitute the germ of long-term transformations of the structure of international economic relations.

Dinero de valor constante: conceptos, problemas y experiencias. Jorge Rose, Cuadernos de la CEPAL, series, N° 6, Santiago, Chile, 43 pages.

When inflation was only national in scope it

⁷See the summary of the document *Latin American development and the international economic situation. Second regional appraisal of the International Development Strategy*, pages 219-220 of this publication.

affected a single currency, and the analysis only sought the best ways of containing it. Since it has been recognized as an export/import phenomenon those who plan and monitor national economic policies in many countries have found this a disheartening task. As a result, increasing efforts were made in the 1970s to find remedies to correct the most harmful effects of inflation, or to reduce the social cost of efforts to contain it.

The most discussed among the remedies, not only at national but also at international level, is the creation of a constant value money which would be obtained by linking it to a nominal value price index of certain economic transactions. There are several systems for achieving this objective, each with its own requirements and implications. However, since world experience in this connexion is virtually limited to Latin America, the discussion in the industrial market economies is still based on a constant-value-money scheme outlined by Marshall.

The publication on which these remarks are based uses the Latin American cases as a frame of reference for distinguishing between the three main systems of the constant value money. One is the indexation originally suggested in 1866, which is governed mainly by the free play of market forces, the other is monetary correction, in other words, the use of a rate of interest which takes account of inflation. The last is readjustability, that is the legal obligation to increase the nominal value of a transaction to the equivalent of its real value. After defining the constant-value-money systems, it goes on to examine the transactions to which it could be applied and, then, on to the objectives to be pursued using the systems.

Because the Latin American experiences cover long periods, it was possible to add a section on their unavoidable cost, since they represent economic policy measures. In given circumstances the system leads to excessive liabilities for the monetary authorities, or calls for the introduction of measures which run counter to the general guidelines of the existing policy. These costs explain the efforts of the Brazilian and Chilean authorities

to combine the constant-value-money systems so that they would not have inflationary effects.

Recognizing the need for further research, the article ends with some tentative conclusions. Without denying the dangers entailed, the constant-value-money is viable if the systems are combined so as to bring their joint cost down to a level compatible with the benefits which it can offer.

La coyuntura internacional y el sector externo.
Cuadernos de la CEPAL series, N° 7, Santiago, Chile, 88 pages.

In recent years there have been marked variations in the terms of Latin American foreign trade; the promising start at the beginning of the decade gave way to a situation which most of the countries are weathering in a critical way. This Cuaderno⁸ is devoted to the analysis of this process and of some of the measures that the Governments should apply to cushion its more negative effects.

The years 1972 to 1974 will possibly remain marked in Latin American economic history by a combination of conjunctural and structural events which on the whole produced a particularly favourable trend in foreign trade. In the non-oil-exporting countries there was a sharp increase in the value of exports from 1972 onwards, amounting to more than 30 per cent in the following two years, a figure mainly attributable to the boom in the prices of raw materials. Simultaneously, the experience of the oil-exporting countries, which through concerted action achieved a considerable and permanent increase in the prices of that product in real terms, set a precedent which, although it was not extended automatically to other primary products, gave rise to a few important measures for protecting income from the export of raw materials. The importance of these expe-

⁸This publication contains chapters I and II of Part Two of *Latin American development and the international economic situation, op. cit.*

riences lies in their contribution to the change in the basic system of trade relations between the Latin American countries and those outside the area.

In the second half of 1974, however, the prices of several important raw materials began to fall, putting an end, apparently, to the period of generalized increases in the prices of these products. In that very year there was a marked increase in the prices of goods imported by Latin America, both manufactures and commodities, including oil and foodstuffs, acquired by some of the countries of the region. Furthermore, imports in the region have been increasing for several years, not only because of the need for intermediate and capital goods, but also because of the intensification of the outward-oriented policy which has been facilitated by the greater inflow of external funds.

The combination of a high level of international demand for certain commodities, certain limitations on the supply side which affected the export of other products, and the monetary instability which prevailed in the world, resulted in increases in international prices for these products in 1973 and early in 1974 which reached the highest levels experienced since the period 1950-1951. However, the long-term evolution of the prices of some of the commodities exported by Latin America — studied on the basis of an index which measures the variations in the level of United States export prices — was unfavourable, particularly in the case of bananas, green coffee and wool. Furthermore, most of the important commodities in Latin American trade experienced sharp fluctuations in prices in the world market during the period studied (1948-1974).

Examined in terms of constant purchasing power, the boom in prices which occurred in 1973-1974 is considerably less important; in the best of cases it meant only the recovery of losses in export income suffered during many of the years of the 1960s.

The report urges developing countries to seek, as soon as possible, ways of taking concerted action — with the collaboration of the developed nations, whenever feasible —

to alleviate the effects of the foreseeable drop in world demand for commodities, which will surely result from the contraction in economic growth rates in the developed countries, aggravated by the increasing rate of inflation in these countries.

The Latin American industrialization process in the opening years of the second development decade. ST/CEPAL/Conf.51/L.2, Santiago, Chile, 1974, mimeographed version, 160 pages.

This report presents an overall view of Latin American industrialization at the beginning of the 1970s, giving attention to both the most marked features of its recent evolution and the objectives and policy measures which have guided it.

It points out that the Latin American industry experienced a considerably higher rate of expansion during those years than in the two previous decades, for from 1970 to 1973 the average growth rate of the Latin American manufacturing output was 8.7 per cent, the share of manufacturing output in the regional gross domestic product amounted to 25.9 per cent in 1973 and the per capita manufacturing product increased from 84 dollars in 1960 to 146 dollars in 1973 (at 1960 prices).

However, the position of Latin America in the world context did not show any change. Its participation in the world industrial product continued to be 3.4 per cent and its per capita manufacturing product represented half of the world average in the periods studied.

Similarly, the growth of the manufacturing sector showed different results in each one of the countries, thereby widening the gap between the larger countries — including some medium-sized ones — and the remainder. For example, if the three largest countries of Latin America are excluded, the share of the manufacturing product in the total product drops from 25.9 per cent to less than 18 per cent. In 1973 the per capita manufacturing product (100 being equal to the product

of the three largest countries) in the medium-sized countries (Colombia, Chile, Peru and Venezuela) was 59 per cent; in the four countries which follow in size (Bolivia, Ecuador, Paraguay and Uruguay) it was 37 per cent, and in the smaller countries, 29 per cent.

The study of the patterns of industrial development, that is to say, of the combination of objectives and policies which have to be adopted to guide the industrialization process confirm, in general terms, that import substitution, the exploitation of the domestic market and the export of manufactures — together with the different integration schemes — form the development patterns which gave an impulse to that process.

Import substitution has a permanent place in the industrialization pattern, although its growth-producing importance is mainly limited to the initial stage. Its potential scope is determined by the size of the domestic market of each country, and in the latter stages of industrial development it loses some of its growth potential, although it continues to be of some importance to the extent that it is possible to incorporate industries producing intermediate, durable, and capital goods. In view of the difficulties of promoting the development of such industries in small countries, and even in the medium-sized ones, integration is of primary importance in overcoming the limitations imposed by small markets. The economic integration of the small and medium-sized countries of Latin America provides the means of developing common interests which may enable the countries to act as a bloc in their dealings with other larger countries, and other blocs, in negotiations and consultations leading to a new world economic structure.

The export of manufactures has different features depending on the size of the countries. Through the exports of their more dynamic industries (the metal-engineering, electrical and chemical industries) the larger countries can make full use of the opportunity of widening the base of their industrial development and enjoying the multiplier effect of those industries on the economy as a whole. In the smaller countries, the export of manufactu-

res can provide the means of exploiting their potential in the production of special lines, and this scope would be limited by the quality achieved in such products.

The Cuaderno concludes with a review of the favourable and unfavourable effects of the Latin American industrialization process. As regards the former, it highlights the expansion of the modern sector of the economies of the countries of the region; the greater use made of natural resources; the introduction of new manufacturing activities to meet the demand of the domestic market or for export, and the gradual creation of greater technical capacity. As regards the unfavourable effects and, owing mainly to the pattern of industrial growth in its early stages, it draws attention to the rigidity in imports and external vulnerability, relative inefficiency in the use of resources, high production costs, greater technological dependence, the existence of high percentages of idle capacity and, finally, a greater geographical concentration of production, which produces regional imbalances in each country.

América Latina: Relación de precios del intercambio. Serie Cuadernos Estadísticos de la CEPAL, N° 1, Santiago, Chile, 1976, 70 pages.

This Cuaderno begins with the description of the method being used by CEPAL to establish the quantum and unit value indexes of foreign trade, as well as that of some series derived from these indexes, such as the terms of trade, the purchasing power of exports, and import capacity. Therefore, and in order to show the procedure followed with greater clarity, special attention is given to its various stages, such as the selection of information sources and the respective samples; the classification of products in groups which permit economic analysis and international comparison; the selection of the formula for establishing the indexes; the method of adjusting the sample to the statistical universe, etc.

It is common knowledge that CEPAL has based its stand on the role of foreign trade in the development of Latin America on these statistics and, therefore, considers it of greater importance to provide information on the empirical procedures which have been followed in compiling them. It should be mentioned that they are very similar to those used by some of the countries of the European Economic Community, particularly the Federal Republic of Germany, as was confirmed in the International Seminar on International Economic Relations Statistics, held in Berlin in September 1973.

However, the report does not hesitate to draw attention to some of the limitations of the methodology used by CEPAL, such as those in respect of the calculation of the regional index on the terms of trade which, since it is obtained through the aggregative method, does not exclude intra-zonal trade. It discusses the difficulties in determining satisfactorily factorial terms of trade, which seek to reflect changes in the terms of trade through the use of indexes which measure the productivity of export and import industries. Practical problems which arise in calculating the quantum and unit value indexes for industrial products in respect of which employment and productivity experience periodic changes are also studied.

The second part of the Cuaderno contains the series on exports and imports — expressed in current and constant prices, and quantum and unit value indexes — terms of trade, and the purchasing power of exports with reference to Latin American countries individually and as a group for the period 1928-1972. So that these important figures could also be used by English-speaking readers, the hea-

dings of these series of tables appear in Spanish and English.

Indicadores del desarrollo económico y social de América Latina. Serie Cuadernos Estadísticos de la CEPAL, N° 2, in the press.

This Cuaderno contains a systematic presentation of the principal statistics and indicators which form the quantitative base of the analyses and studies carried out during the Second Regional Appraisal of the International Development Strategy (IDS). Preceding the corresponding tables there is an analysis of the criteria applied in selecting the indicators, of their significance, and the analytical concepts inherent in them, and the sources of information used, as well as a study of the statistical value of the pertinent data.

The indicators have been classified and grouped taking account of the major areas of the IDS following, in particular, the outline of the general document. In establishing these classifications an attempt was also made to collect information in accordance with the existing interrelationships between the different economic and social variables to which the indicators refer.

In this way a global quantitative view is provided for examining and interpreting the development process as regards economic growth, human and social development, the domestic effort, and the development of foreign relations, particularly as regards trade and finance.

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