

CEPAL

Review

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UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

SANTIAGO, CHILE, AUGUST 1988

CEPAL

Review

Santiago, Chile

Number 35

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ECLAC: forty years of continuity with change

*Gert Rosenthal**

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

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

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again, we find ourselves in the midst of a period of adjustment and transition: hence the need for us to revitalize outdated patterns of national development, while at the same time rebuilding the international economic order.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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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