

# CEPAL

## Review

*Executive Secretary of ECLAC*  
Gert Rosenthal

*Deputy Executive Secretary*  
Carlos Massad

*Director of the Review*  
Anibal Pinto

*Technical Secretary*  
Eugenio Lahera



UNITED NATIONS  
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

SANTIAGO, CHILE, DECEMBER 1990

The Secretariat of the Economic Commission for Latin America and the Caribbean prepares the *CEPAL Review*. The views expressed in the signed articles, including the contributions of Secretariat staff members, are the personal opinion of the authors and do not necessarily reflect the views of the Organization. The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area of its authorities, or concerning the delimitation of its frontiers or boundaries.

#### Notes and explanation of symbols

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

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

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

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

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

A point (.) is used to indicate decimals.

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

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

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

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

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

LC/G. 1642 - P
----------------

December 1990
---------------

UNITED NATIONS PUBLICATION
----------------------------

ISSN 0251-2920
----------------

ISBN 92-1-121168-9
--------------------

Applications for the right to reproduce this work or parts thereof are welcomed and should be sent to the Secretary of the Publications Board, United Nations Headquarters, New York, N.Y. 10017 U.S.A. Member States and their governmental institutions may reproduce this work without application, but are requested to inform the United Nations of such reproduction.

Copyright © United Nations 1990

All rights reserved

Printed in Chile

# CEPAL

## Review

---

Santiago, Chile

Number 42

---

### CONTENTS

Note by the secretariat	7
Opening statement delivered by the Executive Secretary of ECLAC, Mr. Gert Rosenthal, at the seminar on "The ideas of ECLAC and of Raúl Prebisch".	8
The nature of the "principal cyclical centre", <i>Celso Furtado</i> .	11
The present morphology of the centre-periphery system, <i>Jan Křiakal</i> .	17
The early teachings of Raúl Prebisch, <i>Aldo Ferrer</i> .	27
Neo-structuralism versus neo-liberalism in the 1990s, <i>Osvaldo Sunkel</i> and <i>Gustavo Zuleta</i> .	35
Evolution and present situation of styles of development, <i>Eric Calcagno</i> .	53
Adjusting power between the State and the market, <i>David Ibarra</i> .	67
The State and changing production patterns with social equity, <i>Eugenio Lahera</i> .	93
Runaway inflation: experiences and options, <i>Felipe Pazos</i> .	115
Structural elements of spiralling inflation, <i>Héctor Assael</i> .	131
Latin American integration and external openness, <i>Germánico Salgado</i> .	135
Present and future integration in Central America, <i>José Manuel Salazar</i> .	157
Economies of difficult viability, <i>Arturo Núñez del Prado</i> .	181
The Mexican economy at the end of the century, <i>Miguel Sandoval Lara</i> and <i>Francisco Arroyo García</i> .	195
Economics and happiness, <i>María Conceição Tavares</i> .	211
Guidelines for contributors to <i>CEPAL Review</i> .	221
Some recent ECLAC publications.	223

## Evolution and present situation of styles of development

*Eric Calcagno\**

The subject of styles of development represents a systematization, carried out largely in ECLAC during the periods following those of Prebisch. However, it is based on the fundamental themes of two works on peripheral capitalism: the evolution of the periphery, its social structure, income distribution, the appropriation of surplus, the opposition between centre and periphery, the criticism of economic liberalism, crisis and transformation.

Section I of this article offers a general overview of studies on styles of development and their linkage with mathematical simulation as an instrument for hypothesis testing. Section II analyses the interrelationships between systems (capitalism and socialism), structures (developed and underdeveloped) and styles of development. It seems useful to distinguish between these categories of analysis, given the confusion that exists between them and, above all, given the present opposition between the arguments favouring homogenization (only one model is possible, namely, the neoliberal one) and the pluralistic position, which recognizes the heterogeneity existing in various countries and which will probably prevail in the future, in accordance with the relations established in each society. Section III states some conclusions on various aspects of the conceptualization of development.

\*Former Director of the International Trade and Development Division of ECLAC and Director of the ECLAC Office in Buenos Aires. He is currently engaged in various types of consulting work.

## I

### Styles of development

#### 1. Definitions

One of the concerns of ECLAC and its leading theoreticians was the study of the qualitative features of development, independently or as a complement to the extent of growth. This broadens the definition of development to imply much more than growth, since it refers not only to the dynamism of the main economic aggregates but also to their structure and their political and social projection. Development "consists of systematically interrelated processes of growth and change" and "expresses an aspiration to a better society".<sup>1</sup> In this way the concept of development comes to include elements of political and economic power and social, technological, sectoral and regional elements that shape the kind of society one wishes to arrive at.

Within this overall exposition, Anibal Pinto has described the "style of development" as a category of analysis, linking it with systems (capitalism and socialism) and with structures (developed and underdeveloped). Style would then mean the political, social and economic option adopted within a given system and structure.<sup>2</sup>

The term "social style" is applied to the way in which a society lives, works and evolves. It includes a style of consumption, work, technology, science, art and political action. If the desired society is different from the present one, essentially in terms of productive forces and property, it is logical that the word "style" should be very similar to the expression "mode of production". If there is influence from anthropologists, historians or philosophers, the word will coincide with some of the meanings of "culture".<sup>3</sup> In the economic sphere, style of development is defined as "the way in which human

<sup>1</sup> See Marshall Wolfe, *El desarrollo esquivo: exploraciones en la política social y la realidad sociopolítica*, Mexico City, Fondo de Cultura Económica, 1976, pp. 23 *et seq.*

<sup>2</sup> See Anibal Pinto, "Styles of development in Latin America", *CEPAL Review*, No. 1, Santiago, Chile, first semester of 1976. United Nations publication, Sales No. E.76.II.G.2, pp. 99 *et seq.*

<sup>3</sup> See Oscar Varsavsky, *Obras escogidas*, Buenos Aires, Centro Editor de América Latina, 1982, p. 12.

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".<sup>4</sup>

The utopias that are part of human history were the historic equivalents of styles of development. Basically, what is involved is an attempt to guide development according to certain values. In recent years these values have been justice, social homogeneity, national self-determination, ecological balance and the like.

## 2. Brief history of studies on styles

In the matter of styles, Latin American studies not only were outstanding but predated those of developed countries. In the early 1960s attention began to be given in the developed countries of the North to the question how the growth rate they had reached, for which Keynesian policies were being applied, could be maintained. At that time the liberal orthodoxy that International Monetary Fund policies sought to implement was being questioned in underdeveloped countries. The structure and operation of "peripheral capitalism" was being judged on the basis of a global criterion: "the phenomena of development cannot be explained by economic theory alone; one must arrive at a global theory that will integrate all the elements of the world system of capitalism. Peripheral capitalism is part of this world system, but it has its own specificity".<sup>5</sup> "Styles of development" thus appear as a productive and autonomous line of analysis of our own problems and crises. In what follows, I shall outline the beginning of these studies in Latin America, carried out by the Centre for Development Studies [Centro de Estudios del Desarrollo - CENDES] of the Central University of Venezuela, Caracas, and by ECLAC during the 1960s and up to the mid-1970s.<sup>6</sup>

The CENDES studies were guided by Oscar Varsavsky. Their originality lies not only in their having been pioneering attempts—the first works date from 1962— but in having provided the theoretical concept with an instrument for the testing of hypotheses. The preparation and application of the method of mathematical simulation (defined in section 3b of this chapter) produced a suitable tool for evaluating the feasibility and the consequences of alternative styles of development. The CENDES group has rightly maintained that "the possibilities of making theoretical comparisons between hypothetical alternative styles of development were rare and questionable before the appearance of detailed mathematical models and simulation" and that "It is time for the qualitative aspects of development to be brought to the forefront, and it is interesting that people are starting to do this with numerical methods".<sup>7</sup>

The CENDES studies are predominantly methodological. Initially they were based on Edward P. Holland's doctoral thesis, which contained an outline of mathematical simulation applied to the economy of India.<sup>8</sup> In 1961, Holland settled in Caracas to work at CENDES, with the support of Jorge Ahumada, its founder, and of Héctor Hurtado, Director of CORDIPLAN. After three years of work, he presented the V-2 model, which reproduced Venezuelan economic history between 1950 and 1962.

Oscar Varsavsky, who analysed these studies, formed a group of "modelists" in 1962 at the Institute of Computing [Instituto de Cálculo] of the School of Exact Sciences [Facultad de Ciencias Exactas] of the National University of Buenos Aires (MEIC-0).<sup>9</sup> In late 1964, Oscar Varsavsky and Carlos Domingo decided to carry out a sociological application of the method. They formalized Sir Thomas More's *Utopia*, which was programmed and experimented upon

<sup>4</sup> See Aníbal Pinto, *op. cit.*, p. 105.

<sup>5</sup> See Raúl Prebisch, *op. cit.*, p. 30.

<sup>6</sup> A collection of the main works may be found in Oscar Varsavsky and Alfredo Eric Calcagno (comps.), *América Latina: modelos matemáticos. Ensayos de aplicación de modelos de experimentación numérica a la política económica y las ciencias sociales*, Santiago, Chile, Editorial Universitaria, 1971.

<sup>7</sup> See CENDES (Centre for Development Studies), Grupo de modelos matemáticos, "Estilos de desarrollo", *El Trimestre Económico*, vol. 36, No. 144, Mexico City, October-December 1969, pp. 517 and 518.

<sup>8</sup> See Edward P. Holland, *Simulation of an economy with development problems*, Cambridge, MIT (Massachusetts Institute of Technology), 1961, doctoral thesis.

<sup>9</sup> The team consisted of Arturo O'Connell, Helios Paulero, Jorge F. Sábató, Víctor Yohai, Néida Lugo and Mario Malajovich.

simultaneously in Caracas and in Buenos Aires, with the collaboration of Jorge F. Sábato. At the same time, mathematical simulation techniques were used to formalize economic models—with the incorporation of social variables—for Chile (1965) and Bolivia (1968).<sup>10</sup> In mid-1966 a new group of mathematical models was set up at CENDES, Caracas, directed by Oscar Varsavsky, who constructed a series of models that were used by CORDIPLAN (Prod-ingre, Dem and Educ).<sup>11</sup> At its fourteenth session (Santiago, Chile, 1971), ECLAC submitted the study prepared by the Economic Projections Centre for Latin America [Centro Latinoamericano de Proyecciones Económicas] on “a model for comparing styles of development or optional economic policies”.<sup>12</sup> In 1975, also under Varsavsky’s guidance, the ECLAC Office in Buenos Aires began to prepare a model of the Argentine economy, with major social and economic implications. This had to be interrupted in mid-1976.

In 1966, at the Massachusetts Institute of Technology, José Agustín Silva Michelena applied the *Utopia* model to a real society (that of Venezuela).<sup>13</sup> The study on *Utopia* encouraged Oscar Cornblit, Torcuato Di Tella and Ezequiel Gallo to prepare and apply a model of political change in

Latin America.<sup>14</sup> In 1972, Alfredo Eric Calcagno, Pedro Sáinz and Juan De Barbieri published *Estilos políticos latinoamericanos*, based on lectures given by the authors at FLACSO between 1966 and 1969. In this study a mathematical model was formulated and applied to concrete cases of Latin American political experience.<sup>15</sup>

At the Santiago, Chile, branch of the Pan American Sanitary Bureau Mario Testa prepared a health model.<sup>16</sup> Similarly, a joint ECLAC/ILPES project developed a demographic model, under the guidance of Angel Fucaraccio, for studying problems of integration.

Conceptual development was begun at CENDES and was later concretized in ECLAC, particularly in the works of Oscar Varsavsky. The central elements are put forward in Oscar Varsavsky’s book *Proyectos Nacionales* and Marshall Wolfe’s book *El desarrollo esquivo* and in articles by Aníbal Pinto, Marshall Wolfe and Jorge Graciarena.<sup>17</sup> Subsequently, in the 1970s, this theoretical approach converges with studies on the United Nations Secretariat’s unified approach to development and with works on the International Development Strategy. It was then that the preparation of studies on “other development” was begun in developed countries. However, this research concentrated on conceptual aspects and lacked the mathematical tools for projecting towards the future and for testing hypotheses.

<sup>10</sup> See Juan de Barbieri *et al.*, *Modelos para estudios de inflación en Chile*, Santiago, Chile, Latin American and Caribbean Institute of Economic and Social Planning (ILPES), 1965; Mario La Fuente and Arturo Núñez del Prado, *Modelo de experimentación numérica para la formulación de políticas de corto plazo en Bolivia*, La Paz, Ministry of Finance, 1968.

<sup>11</sup> See CENDES (Centre for Development Studies), Grupo de Modelos Matemáticos, *Modelo para planificación a mediano y largo plazo, “PROD-INGRE”*, Documentos de trabajo series, No. 4, Caracas, 1968. The team led by Varsavsky was made up of specialists with a high turnover rate; among those who made a significant contribution are José Bianciotto, Roberto Frenkel, Luis Leal, Luis Marzulli, Arturo O’Connell, Juan P. Pérez Castillo, Mario Testa and Lourdes Yero; and for CORDIPLAN (Central Office for Planning and Coordination), Héctor Hurtado, Jorge Trebino, Mauricio Valery and Lincoln Gareta.

<sup>12</sup> ECLAC (Economic Commission for Latin America and the Caribbean), *Modelo para comparar estilos de desarrollo o políticas económicas optativas (E/CN.12/0907)*, Santiago, Chile, April 1971.

<sup>13</sup> See José Agustín Silva Michelena, “Venutopia I: modelo experimental de un sistema político nacional”, *Cambio político en Venezuela*, Caracas, Centre for Development Studies (CENDES), 1967.

<sup>14</sup> See Oscar Cornblit, Torcuato Di Tella and Ezequiel Gallo, “Un modelo de cambio político para América Latina”, *Desarrollo Económico*, vol. 7, No. 28, Buenos Aires, Instituto de Desarrollo Económico y Social (IDES), January-March 1968.

<sup>15</sup> See Alfredo Eric Calcagno, Pedro Sáinz and Juan De Barbieri, *Estilos políticos latinoamericanos: un método de análisis y nueve casos*, Santiago, Chile, Latin American Faculty of Social Sciences (FLACSO), 1972.

<sup>16</sup> See Mario Testa, “Formulación de políticas de salud”, Centro Panamericano de Planificación de Salud, Santiago, Chile, 1975, mimeo; *Salud en debate*, No. 1, Rio de Janeiro, 1976; and M. Bernacchi *et al.*, “Modelos numéricos: su aplicación para el análisis de una política de financiamiento de la atención médica”, *Atención Médica*, vol. 1, No. 3/4, Buenos Aires, December 1972-March 1973, pp. 70-136.

<sup>17</sup> See Oscar Varsavsky, *Proyectos nacionales: planteo y estudio de viabilidad*, Buenos Aires, Ediciones Periferia, 1971; Marshall Wolfe, *El desarrollo esquivo...*, *op. cit.*; Aníbal Pinto, “Notas sobre estilos de desarrollo en América Latina” (ECLA/IDE/DRAFT/103), Santiago, Chile, ECLAC, December 1973, and the revised and expanded edition, 1975, *op. cit.*; Marshall Wolfe, *Styles of development*, Santiago, Chile, Social Development Division, ECLAC, January 1974; Jorge Graciarena, *A propósito de los estilos de desarrollo: una nota heterodoxa*, Santiago, Chile, Social Development Division, ECLAC, 1975.

### 3. Convergence of theoretical analysis and method: styles and mathematical simulation

#### a) Styles of development

A characteristic feature of Latin American studies on styles of development is that the analysis of the degree of satisfaction of the needs of various sectors of the population, which makes up the style of development, is combined with the mathematical instruments to reproduce reality and test hypotheses. In this aspect I shall follow the analysis of Oscar Varsavsky.<sup>18</sup>

One begins by defining the needs that society must take into account in order to satisfy them to some extent, or not to satisfy them; these included: i) physical needs: food and clothing; housing, home furnishings and services; other durable goods; health care; transport and other personal services; ii) social needs: social security, including solidarity and integration; access to global information and communications; the basic social nucleus (family and/or other); form of urbanization; equality in the distribution of products and prestige; guaranteed individual liberties and the organization of individual life; limits and distribution of working time for each age; iii) cultural needs: education and training; recreational leisure and sports; creative and innovative leisure, (scientific, artistic, handicrafts); world view; satisfaction at work (physical conditions, stimuli, alienation); iv) political needs: participation in various types and levels of decisions; various types of national autonomy and the country's role in the world; private property (guarantees and limits); regional development policy for the country; freedom to change national projects and the ultimate legacy of resources; methods for resolving social conflict; policy for population size and structure; institutional structure (organization and type of institutions).<sup>19</sup>

Once needs have been determined, major population groups are classified according to the extent to which these needs are met. This gives rise to a first classification of styles according to "whether production is aimed at the population's needs or at the

needs of the companies themselves and of those who control them. Thus there appear two classes of styles, which we inelegantly refer to as 'people-centric' and 'company-centric'.<sup>20</sup>

Next, an attempt is made to determine the feasibility of given strategies for satisfying the listed needs to the extent desired. First, one tries to ascertain whether they are physically feasible, i.e., whether the available resources –natural, human, technological and capital– are sufficient to produce the goods and services required. The second question is whether they are socially feasible, i.e., whether they are compatible with the attitudes and traditions of social groups and with institutional organization. Lastly, one determines whether they are politically feasible (including ideological and military aspects), which involves knowing whether the strategies have the support of political forces that possess the power necessary to implement them.<sup>21</sup>

#### b) Mathematical simulation

Mathematical simulation models are realistic models of major social systems applicable to subjects such as economic development, social conflicts, political strategies, the evolution of civilizations or economic imbalances. They are used as criteria for qualitative decisions: choosing between a few alternative courses of action, whose effects the model helps to compare.<sup>22</sup>

The model used in experiments carried out in ECLAC "is based on a computable scheme that is calculated year by year with the aid of the usual coefficients, trends, elasticities and rates, on which there is copious information, obtained directly or through international comparisons, and which permit some reasonable suppositions to be formulated with little risk. In essence, an attempt is made only to reproduce the usual calculations and lines of reasoning, but –and this is the *raison d'être* of the model– to do so in an integrated fashion, in a coherent and easily manageable scheme". "The model makes it possible to calculate the effects of complex policies, formed by various simultaneous measures whose consequences are not always convergent, so

<sup>18</sup> See Pedro Sáinz and Alfredo Eric Calcagno, preface to *Obras escogidas*, Oscar Varsavsky, *op. cit.*, pp. 12 *et seq.*

<sup>19</sup> Oscar Varsavsky, *Proyectos nacionales . . .*, *op. cit.*, pp. 34 and 35.

<sup>20</sup> Oscar Varsavsky, *Obras escogidas*, *op. cit.*, p. 25.

<sup>21</sup> *Ibid.*, p. 23.

<sup>22</sup> *Ibid.*, pp. 352-355.

that their ultimate effects cannot be intuitively foreseen. For example, it would not be a simple matter to use a mental or intuitive scheme to foresee the feasibility and consequences of a policy that attempts to combine labour-intensive technology with an improvement in income distribution, which in turn would change the sectoral structure of demand and would reverse trends in import needs. It must be stressed that the degree of reliability of quantitative results will depend on the accuracy of available data and hypotheses on technical coefficients (e.g., the productivity of labour and capital, average useful life, input coefficients and import substitution, each of which is broken down according to sector and technology)."<sup>23</sup>

The model makes it possible to carry out comparative policy studies, analyses of parameter sensitivity, analyses of reasonableness (search for reasonable parameter values that would render a desirable policy feasible) and to make the results constantly better. Moreover, the short and long terms can be coherently taken into account. Basic characteristics, methods, results and costs are simultaneously analysed. Studies conducted by CENDES referred to three styles of development: creative, consumerist and authoritarian. The following description is that outlined by the CENDES group of mathematical models.<sup>24</sup>

The creative style places priority on the development of creative capacity, and therefore on education. Its goal is an autonomous culture that is not isolated but is critical and creative. Imitation of developed countries is discouraged. Employment increases greatly, and since real wages do not decrease, enterprises are adversely affected in terms of wage costs, though not in market terms. The State becomes more involved in production. Wages do not increase either, but one must add to them the income attributable to governmental services and the reduced cost of marketing. Private services and agriculture have a smaller share in output. There is an increase in public services, construction and all branches of industry. Taxation policy is severe and progressive, so as to finance the cost of education, health care and other free services. Foreign investment is discouraged.

<sup>23</sup> See ECLAC, *Modelo para comparar . . .*, *op. cit.*, pp. 4 *et seq.*

<sup>24</sup> See CENDES, *Grupo de modelos matemáticos, op. cit.*, "Estilos de . . .", *op. cit.*, p. 519.

The consumerist style attempts to catch up with developed countries; in other words, the aim is to achieve a welfare society in which the diversification of consumer goods is encouraged and efforts are made to create a market for them. Its culture is "imitative": copying the major countries in habits of consumption, fashion, arts, science and technology. Its organization is liberal-monopolistic, with copied but very state-of-the-art technology, and it encourages foreign investment. There is little State intervention in production. Education is seen as an instrument for training the human resources indispensable for the country's technology. Wage policy is dual: on the one hand, wages must increase in order to create a domestic market, and on the other, they must decrease in order to ensure competitive export prices. This leads to low wages in dynamic activities and high wages in all others. Fiscal policy tends to be more "progressive", but it must encourage foreign investment.

In the authoritarian style, the predominant values are authority and order for maintaining the traditional society (with a certain measure of modernization). A strong nation is desired, but realism requires accepting the leadership and patronage of one or another of the major world blocs. Its culture is a blend of traditional values and imitation. It will create a strategic infrastructure (communications) and heavy industry, even if it must use foreign capital. Labour productivity increases slowly, and wages at a somewhat lower rate. There is a large bureaucratic and security apparatus (domestic and external) facilitated by the pressure of unemployment. There is little participation by the State in production, except in heavy and military industry. Government is the most dynamic factor in product growth, followed by construction. Industry and services maintain their participation, and that of agriculture is lowered somewhat.

In the mathematical simulation carried out both at CENDES and at ECLAC the feasibility and consequences of each style were analysed in detail. The conclusion reached was that every development plan requires the prior selection of a style of development as a frame of reference and that this style must be concretely expressed in terms of economic variables, giving them the most explicit qualitative content possible.<sup>25</sup>

<sup>25</sup> *Ibid.*, p. 538.



## II

### Systems, structures and styles

#### 1. General approach

At a time when the possibility of economic and social solutions offering an alternative to present ones tends to be denied, it seems appropriate to use styles of development as instruments for observing reality. In the study below, I shall use the categories of analysis established by Anibal Pinto, which distinguish different systems, structures and styles.<sup>26</sup>

The systems—capitalism and socialism—differ particularly in their institutional organization and socio-political structure. In the economic sphere, the basic contrast between them is said to lie in 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 consumption.”<sup>27</sup>

A second category arises from the classification into developed and underdeveloped 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.”<sup>28</sup>

“... [I]n 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 these broad groups.”<sup>29</sup> Table 1 shows a variety of styles within the capitalist and socialist systems and of developed and underdeveloped structures. It is intended to indicate the fundamental traits of coherent global models, and consequently a fundamental logic within a system-structure complex. The alternatives cited are not intended to set up questionable antinomies but

rather aim at pointing out the predominant ingredients in the solution of given problems.

The interrelationships between systems, structures and styles may contribute to systematizing and clarifying some current situations and conflicts, e.g., the extent to which the liberal style hinders getting out of a structure (underdevelopment), or how the authoritarian style is an offence against a system (socialism).

In this work I shall deal only with the relationship of styles to the capitalist system, within the underdeveloped structure. I exclude the developed structure for lack of space, and an analysis of the situation within the socialist area would require recent information which I do not possess.

#### 2. Styles in underdeveloped capitalism

I shall refer only to the general situation in Latin America, since the analysis of other regions or of particular countries would require a much more exhaustive analysis.

##### a) Some characteristics

##### i) Economic and social

The socio-economic situation of Latin America is dominated by two contradictory features: on the one hand, by the enormous progress made over the last 30 years, both in overall results and in the emergence of new economic and social structures; and on the other hand, by structural heterogeneity, which leads to the persistence of enormous differences between countries, sectors and social classes.<sup>30</sup>

As is pointed out in an ECLAC document that outlines what has occurred between 1950 and 1984, “there is a tendency towards the reproduction of incorporation and exclusion, integration and disjointedness, modernization and heterogeneity, almost as an operating condition of the modality”,

<sup>26</sup> See Anibal Pinto, “Styles of development ...”, *op. cit.*, pp. 99 *et seq.*

<sup>27</sup> *Ibid.*, p. 102.

<sup>28</sup> *Ibid.*, p. 103.

<sup>29</sup> *Ibid.*, pp. 103-104.

<sup>30</sup> See Alfredo Eric Calcagno, *El pensamiento económico latinoamericano: estructuralistas, liberales y socialistas*, Madrid, Ediciones de Cultura Hispánica, 1989, pp. 19 *et seq.*

Table 1

## STYLES OF DEVELOPMENT WITHIN SYSTEMS AND STRUCTURES

Structure		System	
		Developed	Underdeveloped
Capitalist	Political:	Conservatives. Social democracy.	Dependent oligarchy. Popular nationalism.
	Economic:	Liberalism. Mixed economy.	Liberalism. Mixed economy.
	Social:	Unemployment. Employment.	Marginal population. Integrated population
	Cultural:	"American way of life" Originality.	Imitation. Creativity.
Socialist	Political:	Authoritarianism. Participation	Authoritarianism. Participation.
	Economic:	Centralized planning. Market mechanisms.	Agriculture. Industrialization.
	Social:	Satisfaction of consumption with privileges. Mass primary consumption.	Unsatisfied higher-quality consumption. Satisfaction of primary needs.
	Cultural:	Openness. Closure.	Imitation. Creativity.

i.e., of the current style of development. Inequitable societies were thus formed, with very different levels of productivity and with a marked concentration of power and income. External relations were governed by asymmetry and vulnerability, and the age-old subordination –based on unequal trade– became more acute with financial and technological dependence.<sup>31</sup>

Within this underdeveloped capitalism –to follow the framework of system and structure– various styles of development are generated (table 1).

## ii) Political

By definition, the countries considered are externally dependent and domestically underdeveloped. As a result, the articulating role of the State is determined by what is being articulated: an international context that uses coercion to bring about subordination to hegemonic Powers, and a national society with enormous inequalities and with a great concentration of power and income. In terms of power, it would be logical for the "articulating" instrument and its policies to be the

result of this scheme of forces, and consequently it would respond to the interests of developed countries and local oligarchies. But this system is incompatible with democracy. Thus, if one seeks to obtain a minimum of legitimacy –i.e., to enjoy some measure of popular consensus– there arises a contradiction in which supranational powers and dominant local groups are pitted against the majority of the people.

These idiosyncrasies of underdeveloped countries give a different meaning to the role of the State and another sense to the attributes of sovereignty and legitimacy. The enormous imbalances between potential and real sovereignty and between full legitimacy and the legitimacy that exists in practice are manifest in the lack of social consensus on the role of the State and in the ruthless struggle for control of it. Since the range of possibilities is very broad, the State could be either the direct executor of an economic policy favouring the popular classes or the manager of a policy guaranteeing the order necessary for the traditional politics of the oligarchy and for multinational corporations and banks. Moreover, this role of the State is irreplaceable: there is no other instrument accessible to the popular forces for imposing their policies; and conversely, the oligarchic and multinational forces need the State, as an instrument not only for imposing social discipline but also for financing and subsidizing their activities.

<sup>31</sup> ECLAC, "Change and crisis: Latin America and the Caribbean 1950-1984", *Crisis and Development: The Present Situation and Future Prospects of Latin America and the Caribbean* (LC/L.332(SEM.22/3)), vol. 1, Santiago, Chile, 1985.

Table 2

## INFLUENCE OF POLITICAL AND SOCIAL FORCES IN EACH POLITICAL STYLE

	Neoliberal capitalism	Military- oligarchic dictatorship	Popular nationalism	Moderate socialism	Advanced socialism
<b>Political forces</b>					
Executive power	X	XXX	XXX	XX	XXX
Political parties	XX	-	X	XX	-
<b>Social forces</b>					
Agricultural entrepreneurs	XX	XX	X	-	-
Industrial entrepreneurs	XX	X	XXX	XXX	-
Financial oligarchy	XXX	XXX	X	X	-
Exporters and importers	XXX	XXX	X	X	-
Foreign capital	XXX	XXX	X	X	-
Industrial workers	X	-	XXX	XXX	XX
Farmworkers	X	-	X	XX	XX
Marginal population	-	X	XX	-	-
Armed forces	X	XXX	XXX	X	XX
State bureaucracy	X	X	XXX	XXX	XXX

Note: The degree of influence ranges from - (minimum influence) to XXX (maximum influence).

b) *Political styles*

Political styles which are currently predominant in Latin America or which could eventually be established are: i) neoliberal capitalism; ii) military-oligarchic dictatorship; iii) popular nationalism; iv) moderate socialism; and v) advanced socialism. Each of these regimes has its own internal power structures and combines with the international context (table 2).<sup>32</sup>

i) *Neoliberal capitalism*

Regimes of this nature presuppose the prevalence of a constellation of forces made up of financial capital, of multinational and large national corporations and of importers and exporters, with a notable weakening of entrepreneurs and workers of the remaining majority, at least in the domain of the economic and social constellation. At the formal political level, democracy remains in force.

<sup>32</sup> On this point I shall summarize part of the work we prepared in collaboration with Benjamín Hoppenhayn, "Especulaciones sobre la estructura política de América Latina hacia el año 2000", *América en el año 2000. Situación social de América Latina en el año 2000*, Lima, Instituto Peruano de Estudios

The economic role of the State is not the one theoretically assigned to it in neoliberalism, since, far from being neutral, it dictates the norms that suit the hegemonic group. The productive structure becomes subordinate to the country's international position, and the most dynamic sector of the economy is linked to foreign trade. Moreover, there is a regressive redistribution of income, and as a result, several possibilities can arise: either the government maintains the democratic forms and loses the elections; or the regime shifts towards more spurious political forms, in which it maintains the democratic forms but betrays the governmental programme which it was elected to carry out; or it manipulates the mass communications media; or a military-oligarchic dictatorship is established. At the same time, it pursues a policy of assistance to those living in conditions of abject poverty in order to prevent mass protests or violent outbursts from the marginal population, while the large number of unemployed persons makes it impossible for those who do have work to offer any resistance.

ii) *Military-oligarchic dictatorship*

In this case the economic situation that arises is similar to the preceding one, but it includes an authoritarian regime which does not respect the right

to life and suppresses or severely curtails individual liberties, in particular those of association for political or trade-union purposes and the expression of ideas. The main social support groups are the same as in the preceding case, but there is an increase in political control and a disappearance of political parties and trade unions. The two regimes would tend to establish the same "style of development" by different means. There could also be a differentiation which depends on whether the traditional or the modernizing character of the regime is accentuated; in the former situation the landowning and commercial sectors will prevail, particularly those linked to exports, and in the latter, foreign capital and the financial oligarchy will do so. In both cases, social disassociation may occur, with the majority of the population being excluded.

#### iii) Popular nationalism

The basis of support here would be the workers, national entrepreneurs and part of the middle class. The economic scheme would be based on the domestic market and the Latin American regional market but not necessarily limited to it, to the extent that non-spurious competitiveness is gradually achieved in the various branches of activity. The State would play an essential role, both as manager of the economic process and as entrepreneur. At the cultural level, technological development and inherent cultural values would be encouraged.

#### iv) Moderate socialism

Presupposes the practice of domestic democracy based on a party system, combined with vigorous State action at the economic level. It would involve a socialism which would tend to limit external conflicts and whose base of support would be a democratic State that would respond to workers' organizations and to small and medium-sized entrepreneurs. There would be progress in the nationalization of industrial conglomerates—particularly the multinational ones—of the banking and financial system and of foreign trade.

#### v) Advanced socialism

In the present case of Latin America, presupposes a system that overcomes the old class hierarchy through a change in the external framework. At all levels of economic activity the

main enterprises would be nationalized, and the regime would change to one of self-managing or centralized administration.

#### c) Economic styles

Economic styles, outlined above when we considered global strategies, can be grouped into two archetypes: the neoliberal and the popular nationalist. Each of these models has a "genetic code" that is manifest not only in the general concept but also in the country's international position, in the dominant economic agents, in the industrial and agricultural profiles, in income policy and in the accumulation of capital. These distinctive traits are summarized in table 3. Recently, the most outstanding distinctive features of these styles have involved the financial sector and the role of the State.

In the neoliberal style, reliance is placed on the benevolence of the automatic operation of the market, which is looked upon as becoming a source of reason and justice. However, the unrestrained boom of the financial sector and its lack of linkage with production, together with the negation of the ethical aims of politics and economics, has led to the emergence of a new kind of capitalism: predatory capitalism, in which the only matter of interest is obtaining the maximum profit possible.

In the popular nationalist style, an attempt is made to strengthen the State and substantially increase its efficiency in terms of national objectives (not on the basis of an exclusively mercantile criterion), as the defender of national sovereignty, the executor of public expenditure and the promoter of genuine private investment.

#### d) Social styles

Social styles correspond to a comprehensive strategy of segregation or exclusion on the one hand and integration on the other.

The strategy of segregation is based on the view that current problems cannot be resolved for the entire population within the current scheme. As Pedro Vuskovic states, "issues such as the external imbalance, the satisfaction of social aspirations and demands, the overcoming of shortages within the various aspects of general living conditions, the contradictions between technical progress and the magnitude of unemployment and underemployment of the work force would be impossible to resolve for the entire economic system or the population as a

whole in the light of the current crisis and the heritage of the past. In fact, the constraints on mobilizable resources, external conditioning and restrictions of every kind would make a policy of concentration and selectiveness mandatory. Hence, the strategic key to setting the process in motion would be to concentrate

all possible resources and apply them to one segment of society, accepting, as the supposedly unavoidable counterpart, some form of marginalization of the rest".<sup>33</sup>

<sup>33</sup> See Pedro Vuskovic, "La situación actual y las perspectivas de América Latina", Mexico City, 1989, *mimeo.*

Table 3

### PROBABLE ECONOMIC POLICIES IN ALTERNATIVE ECONOMIC STYLES

	Popular nationalist style	Neoliberal style
Global model of development	Industrializing model that favours the domestic and Latin American market. New exporting branches based on skilled labour. Driving social forces: workers and national industrial entrepreneurs; support from a large proportion of middle-class wage-earners. Significant State action. Full employment.	Primary exporting model; industrial exports, based primarily on low wages. Driving social forces: the financial sector, large national farming and industrial interests and the multinational sector; support from the non-wage-earning middle class. Less participation by the State. Boosting of extractive mining activity for export.
Position on the international scene	Greater autonomy with respect to the major developed capitalist countries. Latin American integration. Cooperation with other under-developed countries. Control on rate of exchange. Restrictions on imports.	Close relations with developed capitalist countries. Production policy and foreign-exchange policy geared to promoting exports. Denationalization of public enterprises.
Economic agents	Preponderant State action. Incentives to national entrepreneurs, particularly medium-sized and small ones. Worker participation.	Preponderance of multinational corporations and banks and large national entrepreneurs. State action in support of these groups. Subordination of workers.
Industrial model	Strong and integrated industrial sector in pursuit of international competitiveness in some branches, based on technological development, and therefore on the added value of products and on highly skilled labour.	Boosting of export industries based on public incentives, low wages and natural resources. Creation of export enclaves.
Farming model	Improve control of foreign trade. Tax structure that prevents deficient land use. Support for technological improvements.	Full operation of the market. Appropriation and allocation of surplus by producers and exporting companies. Boosting of technological improvement.
Income policy	Redistribution in favour of wage-earners. Increase in fiscal revenues through progressive taxation. Increase in "indirect wages". Increase in employment.	Redistribution in favour of non-wage-earners. Incentives to exporters. Increase in fiscal revenue, maintaining the preponderance of indirect taxation. Significant drain of resources to other countries.
Accumulation of capital	Maximum utilization of domestic savings and export income. Prevention of offences and abuses against the State in this area and earmarking of such funds for investment.	Appropriation of surplus by predominant entrepreneurs. Incentives to the entry of foreign capital.
Economic thought	Economic planning. Preservation of national independence. Policy with a strong social and regional content. Favouring of work and production as against speculation.	Laying the groundwork for prevalence of the market. The State must guarantee order. Social aspects are not governed by economics and are manageable through a policy of assistance.

The strategy of integration implies the pursuit of social homogeneity and political participation, as well as the satisfaction of the basic needs of all inhabitants, with solidarity as the basis of social relations.

The present situation tends towards segregation. Its seriousness is reflected in the ECLAC study on changing production patterns with social equity: "the lack of economic dynamism, the modifications of the employment situation" (growth of the informal labour market and the deterioration of real wages), "and the cutbacks on public spending all contributed, in one way or another, to the increase of extreme poverty, particularly in urban areas. In very general terms, it is estimated that in 1980 some 112 million Latin Americans and West Indians (35% of households) lived below the poverty line; this number rose in 1986 to 164 million, which accounted for approximately 38% of households. Similarly, in the vast majority of countries there arose pockets of productive modernity, generally associated with the export of non-traditional goods, which contrast with the panorama of backwardness".<sup>34</sup>

#### e) Cultural styles

Cultural styles may be described as imitative or creative. The advance of "the American way of life" as a world paradigm and of its cultural consequences is discussed. Likewise, a "culture of speculation" is being established, originating in the economic domain and spreading to the political (the "wagerers" are replacing the militants) and to the cultural. In the latter, more importance is being given to the formation of competitive and success-oriented élites, without any commitment to ethics or to social solidarity.

In Latin America there is perhaps a greater margin for local creativity, and one would have to distinguish between pressure from the media—particularly television—and pressure from cultural expressions with some originality, some of which have important historical roots.

<sup>34</sup> See ECLAC, *Changing Production Patterns with Social Equity. The Prime Task of Latin American and Caribbean Development in the 1990s* (L/C/G.1601(SES.23/4)), Santiago, Chile, March 1990. United Nations publication, Sales No. E.90.II.G.6, p. 33.

#### f) Interrelationships between systems, structures and styles

In the reality of underdeveloped countries, political, economic, social and cultural styles are homogeneous. For example, in the cases shown in table 1, the first styles cited (dependent oligarchy, liberalism, marginalization and imitation) are coherent, as are also those mentioned second (popular nationalism, mixed economy, integration and creativity). This means not that styles are interchangeable like clothes but rather that the processes involved are gradual ones, centred in certain areas. Each style has a different degree of feasibility and tends to be anchored in or to emerge from the system or structure in force.

In the political domain, the neoliberal capitalist style and the military-oligarchic dictatorship style are typical of an underdeveloped structure and more or less openly constitute an authoritarian modality of the capitalist system. Instead of the trade-off between political legitimacy and economic accumulation (i.e., social expenditure versus productive investment), which is more typical of developed countries, we now find a cruder and more elemental trade-off between political legitimacy and the oligarchic appropriation of surplus by local or foreign groups. The popular nationalist style introduces some modalities of the socialist system and attempts to escape from underdevelopment. It would be legitimate, since it would have popular support, but it would clash with the policies of international financing centres and of local oligarchic groups, which tend to predominate.

In the economic domain, if "predatory" capitalism were consolidated and productive capitalism continued to decline, an important variable would be introduced into the system. One could no longer talk of "capitalism" without a qualifier: it would be necessary to characterize it. With regard to structure, "predatory" capitalism would leave the country anchored to underdevelopment. A popular nationalist style would practise productive capitalism with social ingredients—primarily equity—and headway would be made towards a mixed-economy regime.

In the social domain, a choice must be made between excluding and integrating the majority of the population. If economic and social policies lead to a dual society, the country will remain with an

underdeveloped structure. Social integration, on the other hand, would mean an enormous step towards development.

In the cultural domain, the underdeveloped structure offers greater resistance to the effective material dissemination (through cultural apparatus, television, and the aspirations it generates) of "the American way of life" which, among other "details",

would require a per capita income 10 times as high as the Latin American average. Generally speaking, these patterns have been deeply absorbed by local social groups which do in fact have such an income. For the others, cultural development will mean an intelligent assimilation of the best international culture and technology and an appreciation of Latin American creativity.

### III

## Conclusions

This overview of the background and methodology of styles of development and of their interrelationships with systems and structures leads to a reassessment of this approach. Its categories of analysis, the pluralist and qualitative approach, technical rigour, the relevance of the structural examination and of the medium and long term make it an excellent instrument for analysing reality. Its dynamic quality reflects the changing reality of today. The opposite analysis, with another ideology, i.e., the neoliberal ideology, which is now in the ascendant, claims to be the only valid one, whereas the pluralistic approach to "styles" considers it to be merely one more among many. Hence, in this work it is assigned a double role: as the main contradictor of "styles" and as one more among the styles considered.

#### 1. *The categories of analysis*

The distinction between systems, structures and styles (put forward by Anibal Pinto) makes it possible to differentiate and to pinpoint accurately the basic problems of development. At a time when there was confusion regarding the categories of analysis, he came up with a clear and dynamic scheme. Within each system and structure, the styles not only constitute "the way a society lives and works" but also "the way it evolves", i.e., goes from one modality to another within the system or structure, or even more, changes one or the other or both.

#### 2. *The pluralistic approach*

The existence of a plurality of styles is recognized as being real and appropriate, and the qualitative aspects of growth are thus reassessed. The prevailing neoliberal theory makes it appear that growth is the

natural outcome of the implementation of given macroeconomic policies and structural reforms (processes of privatization, deregulation, etc.) which spontaneously generate it, energized by the international economy. It is asserted that this scheme is inevitable –that there is no other alternative– and moreover, that it is desirable: no matter how socially unjust it may be, the prosperity it generates will eventually be disseminated to other strata of the population. In contrast, "styles of development" teach us, above all else, that there is a plurality of possible political and economic solutions, that they benefit and harm different groups and that have very different social and cultural implications. Furthermore, these styles do not develop spontaneously through the release of market forces or the lifting of cultural or informational censorship. Rather, they are achieved and consolidated through public policies and political processes. Opposed to the rigidity of the neoliberal model, which is presented as the only feasible one, there appears the entire gamut of possible styles, which, moreover, include the possibility of changing the system and structure.

#### 3. *Technical rigour in analysis*

The Latin American application of styles of development is characterized by the technical rigour with which its mathematical simulation technique endows it. At a time when many political and economic theses in vogue are based on specious reasoning and *petitio principii* (as I believe I have shown, with regard to neoliberalism, in my book "*Versos para no pensar*"),<sup>35</sup> "styles of development"

<sup>35</sup> See Alfredo Eric Calcagno and Alfredo Fernando Calcagno, "*Versos para no pensar. Fábulas contemporáneas sobre política y economía*", Buenos Aires, Editorial El Despertador, 1989.

are an example of technical rigour. In the mathematical methodology employed, economic operation and the operation of certain social variables in the past are reproduced in a set of equations. On this basis, alternative policies are projected, and their feasibility and consequences are shown by the model. All of this is done with complete transparency, making assumptions explicit and permitting the testing of any other alternative. In this way, qualitative hypotheses can be subjected to "experimentation" and testing.

#### *4. Reassessment of the structural approach and of the medium and long terms*

In "styles of development" we adopt a structural outlook that is inserted into the overall social reality, which in turn responds to a historic reality. As Anibal Pinto states, "this definition, seemingly so 'neutral' and basic, conceals a separation from, and even a repudiation of, what could, in contrast, be called the 'atomistic' view which is still so much in vogue".<sup>36</sup> The liberal scheme, besides fragmenting reality, focuses on the here and now, since everything pertaining to the medium and long terms will be taken care of by the "market" in the best possible way.

#### *5. The social and political consequences of implementing different styles*

In the liberal model there is an incongruity between the economic and the political aspects. As has been

<sup>36</sup> See Anibal Pinto, preface to *Introducción a la economía*, Antonio Barros de Castro and Carlos Francisco Lessa, Mexico City, Siglo XXI Editores, 1971, pp. 4 and 5.

shown repeatedly and for many years now, there is a fundamental contradiction between political and economic liberalism (political legitimacy is contradicted by the exclusion or economic misery of the majority of the population); and liberalism excludes the social aspect, which, in addition to everything else, will –or will not– improve when the market forces operate. In contrast, the "styles of development" approach forms the basis for raising the political and social objectives of legitimacy, participation and solidarity, which determine the economic scheme.

#### *6. Economics as the handmaiden of politics*

The liberal theses championed by the International Monetary Fund view economic policy as if it were a mixture of exact science with punishment administered as medicine. First, they contend, there is a technical problem whose consideration leads to a sole prescription that is applied and brings sound policies which will foster growth. Next comes the punishment –i.e., the adjustment– which the majority of the population suffers, as a result of policies alien to them. The inevitable nature of the solutions precludes political debate and reduces economies to the best administration of what is fatal and inevitable. This process disguises the identity of those who are helped and those who are hurt and the decline of national sovereignty, which consists in political decisions. On the other hand, the scheme of "styles of development" returns to "political economics" –the opposite of the technocratic view– and starts off with the classical affirmation that the art of economics is the handmaiden of politics, and decisions on fundamental issues are shifted to that domain.