

CEPAL

Review

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UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

SANTIAGO, CHILE, DECEMBER 1990

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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

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Printed in Chile

CEPAL

Review

Santiago, Chile

Number 42

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Economies of difficult viability

*Arturo Núñez del Prado**

The diversity of the economies of the region—a qualification that usually precedes any overall interpretations of its underdevelopment—in fact expresses an idea going far beyond a simple statement of dissimilar situations. Thus, it is crucial not only to qualify and quantify this disparity, but also to understand the reasons why it is so pronounced. Countries abundantly endowed with natural resources have not managed to generate vigorous and continuing industrial processes nor, even less, have they been able to develop a social cohesion compatible with a consolidated national State. This would seem to be the nub of the problem. What obstacles explain this slow process of consolidation as nations? What past events have caused their democratic periods to be usually ephemeral and subject to violent regressions? And how can the marginality of a significant portion of their societies be explained?

Any prospective attempt to study these trends confirms a disturbing increase in these disparities to the extent that greater segmentation can be expected if these tendencies are not corrected. It is, therefore, once again necessary to point out that a sub-periphery is forming in the region, made up of countries of little or no growth, where the exclusion of large segments of their populations is a dominant characteristic.

Among the studies which must be carried out, primary importance must be given to an examination of ethnical and cultural heterogeneity and the identification of unresolved conflicts in this area. The shortage of surplus funds and of ways to acquire and use them results in degrees and extents of poverty whose background is dominated by cultural confrontation where the appearance of hybrid social groups further disrupts the social structure in their legitimate aspiration to a share of the insufficient income. Priority must be given to an attack on the problem of poverty and the segregation of the rural populations. This has become the central goal of the marginally viable economies, in order to remove the main difficulties in the way of a faster consolidation of their nations.

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Introduction

For some time the author has been insisting that more attention be given to those economies which because of their size and individual features are not reflected in the diagnoses and interpretations made for the region. In fact, most of the analyses concentrate on the more highly industrialized countries or those with larger economies, i.e., those which have a decisive effect on regional averages. The other countries have usually been given only subordinate attention, if not completely ignored. Their characteristics and problems are so individual that they need another type of approach and even different methods of analysis.

The term, marginally viable economies, is intended to focus attention on their serious structural problems which make it impossible for neo-liberal approaches to start them on the way to dynamic, equitable and self-sustainable development. There are serious limitations to their embarking on dynamic strategies and achieving a more solid place in the international economy. Their low level of productivity and the small size of their domestic markets result in inadequate income levels and, therefore, extremely limited investment capacities which are even more reduced by the flight of capital. Social mobility and equity seem too remote and the discretionary operation of the market only reproduces the well-known vicious circle of poverty. The characteristic structural heterogeneity is reflected not only in extreme differences in productivity, but also in open conflict between the various social groups.¹

It is, therefore, only fair to demand special consideration of their particular characteristics, particularly since the studies made for the region as a whole, concentrated as they are on the more advanced countries, have little or no validity in this case.

The identification of the causes of and impediments to their consolidation as nations really does seem a priority and should precede any project for modernization or change in production intended to improve their international standing. The problem of inequity, which becomes increasingly acute as poverty reaches intolerable levels and coverage,

¹ A more detailed description of this type of economy can be found in another article by the same author (1988), "Economies of difficult viability: an option to be examined", *CEPAL Review*, No. 36 (LC/G.1537-P), Santiago, Chile, December.

becomes an obstacle which will have to be dealt with before the other components of the strategy. In countries where two-thirds of the population are socially, economically, ethnically, and culturally

excluded, it is very difficult to reach agreements and achieve responsible participation for political projects which do not make this problem their central and motivating factor.

I

Confronting a different world . . .

Marginally viable countries are facing previously unknown circumstances, both in their external environment and in their internal functioning. No observer of the contemporary world can ignore the transcendental changes which are occurring, particularly in the socialist region. Certainly, no forecast can deny that these changes will bring about corresponding changes in policy in the established capitalist countries and —which is particularly significant— in the behaviour of their transnational enterprises.

Simultaneously with this political about-face, a technical revolution has come of age whose every sign and indication leave no room for doubt about the different way the world economy will function. Not only because of the new technologies and materials available, but also because of the potentially massive and drastic effect they will have in their application to the more dynamic production and distribution processes, we are today facing a world which, during the 1990s will increasingly less resemble the world of a decade ago.

These political earthquakes, together with the equally spectacular technological changes, are shaking the very foundations of political, economic and social structures. It is not a question of a change in inflection or cyclical phase, nor is it a readjustment of the major parts of the machine which drives the world economic and political system. It is really the inception of a different world with a different pattern of strength and power relationships.² In a more

extended environment of hegemonic struggle, scientific and technological knowledge will be directed less than before to warfare and more to winning market space, and will lead to other kinds of antagonisms and produce a dynamism which will be very difficult to measure. This will obviously be a great challenge for the economies dealt with in this study, particularly if the countries at the centre are expected to change their focus of interest.

With these major changes in the functioning of the economic and political system these economies find themselves in a very difficult situation. The acute and growing degree of their extreme poverty and the greater exogenous limitations which can be expected, make it difficult to adopt strategic positions to meet both fronts. Minimum levels of investment, limited or negative inflow of foreign funds and markets reluctant to receive their exports reveal a panorama of deficits and difficulties. On the other hand, the demands and claims of large masses of their populations constitute very complex management limitations.

The respective governments are, of course, aware of the seriousness of these phenomena. They know that their democracies will be subjected to hard tests and that, now more than ever, they must devise strategies to meet these adversities and regain their historic expansion rhythms, this time with greater equity.

² See Latin American and Caribbean Institute for Economic and Social Planning (ILPES) (1989), *ILPES: External Insertion*,

Development and Planning (LC/IP/G.49), document presented at the Seventh Conference of Ministers and Heads of Planning of Latin America and the Caribbean, Montevideo, May.

II

An introspective view

A profound reassessment of economic integration and a study of the potential for economic complementarity are imperatively central tasks. The conclusion that these have been far from what they were thought to be only leads to the obligation to come up with a reformulation. A possible decrease in attention to Latin America and even more to the weaker economies on the part of the countries at the centre makes it necessary to take a much closer look at the possibilities which a new conception of economic complementarity could offer. Perhaps such tremendous challenges have been necessary to improve viability, but lurking dangers and potential problems are not sufficient to cause a spontaneous integrating force. A conceptual review of the integrating mechanisms and, above all, a commitment to political solidarity are also necessary for motivating the energy and conduct of those involved.

The approaches presently found in the region and the new approaches being developed take into account the need to raise the average level of productivity as the prime requisite for a more dynamic, self-sustaining development. This need, given that the outside world has little interest in marginally viable economies, turns the view inward and revalidates the central idea of integration seen, not as an end, but as another means to achieve greater and better stages of development. Certainly, this does not mean an introspective move towards autarchy, but there is no doubt that the internal possibilities for better intra-Latin American interchange have not been even remotely exploited.³

Any proposal for the full use of these possibilities makes the renewal of integration an extraordinarily pivotal task. The proposed structural change in each country depends strongly on the situation in this area of national political projects. In small economies which urgently need to increase productivity, the evaluation of new forms of

economic complementarity with neighbouring areas could be fruitful.

No matter how many obstacles are identified and efforts made to achieve economic expansion, the consideration of equity will have to govern the idea of development even in the medium and short term. The signals from the forgotten populations in these economies are all too evident. Where elections are held, the demand for greater social justice breaks out vehemently and those who promise to tackle this question receive decided support and votes. There are cases where the contradictions between the haves and the have-nots are so glaring that, out of desperation, some social groups erupt and get out of control without waiting for the next elections.

As already said, in these times of reformulating development ideas, the correct value must be put on the idea of equity and a sense of solidarity, not only for ethical reasons but also for the elementary assurance of viability and to guarantee daily living and security. We cannot stand back and allow the social scientists to establish new categories for identifying degrees of poverty. The extreme domination no longer serves to illustrate, perhaps through the insensibility of habit, the dramatic lack of ability to satisfy basic needs. Before we accept that the category of misery takes shape in the analyses of population segmentation in these economies and before extreme poverty loses its dramatic character as a result of the development of worse stages, we must call a halt and reflect carefully. Just as in the socialist world it was time to call a halt and choose a different path, in these capitalistic societies for other reasons, equally or more valid, accumulated social energy resulting from lack of satisfaction and contradictions will be let loose. Those resigned to being overlooked, irrespective of ideologies, cannot continue to be isolated. This is not a hasty prophecy; it is an elementary conclusion from observing the social phenomena occurring in these countries.⁴

³See Economic Commission for Latin America and the Caribbean (ECLAC) (1989), *Integración regional: desafíos y opciones* (LC/G.1568), document prepared for the project *Integración y Cooperación Regionales*, of the International Trade and Development Division, Santiago, Chile, June.

⁴See ILPES/ISS/ILDIS (1990), *Necesidades básicas y desarrollo*, Carlos Toranzo (ed.), La Paz, Talleres Hlsbol, March.

In this context of adverse changes in the external parameters and functions and of tasks in the internal social order which cannot be denied or delayed, it is not only difficult but necessary to have strategic propositions which suitably rank the goals in both areas. Depending on the situation in each country, a careful listing is needed of goals, measures and tools for achieving greater social justice and solidarity and, as a result, a strengthening of the external sector. Any

strategy to overcome underdevelopment will have as its central goal, an attack on the problems of poverty which should determine the solution of other problems.⁵ Truly, if the dominant characteristic of these economies has been exclusion from the international economy as well as the exclusion of a significant portion of their populations, the strategic answer to these problems is that we must pause and rethink new means for achieving growth and development.

III

Structural change

There does not seem to be much doubt about the need to introduce changes and transformations in the growth processes in these economies. The central task is to study the viable alternatives for changing their production structures.

In the region, a transformation of the production structure is taking place which to some extent results from efforts to meet and overcome the crisis. The nature of this crisis produces various indicators: correct and wrong, sporadic and persistent, temporary and structural. One of the first tasks is to clarify the internal and foreign obstacles to be overcome in order to be able to develop the outlines of a new production structure which would support more rapid and simultaneously more equitable economic expansion. Otherwise, there is the risk of change occurring as a result of pursuing emergency goals even though worthy of attention, such as attaining price stability or a trade surplus. Moreover, if the anti-inflationary or trade balance policies fail, the result could be even weaker, more erratic and contradictory production structures than those which were in crisis; on the other hand, if they were successful, this would usually be at the cost of greater recession and higher unemployment. The attainment of production structures which guarantee self-sustainable and equitable growth cannot result from reflex actions in the face of isolated problems. They must first of all be the result of a deliberate understanding of the limitations imposed by growth and equity which takes into account internal operation and the resulting participation in the outside world.

It is certainly a very complex task given its multidimensional nature and dangerous to generalize

because of the diversity of the marginally viable economies. Their natural and human resource endowments make it unthinkable that extreme poverty and unemployment have reached such extremely high levels as are seen in most of these economies. There is clearly a malfunctioning of their social and economic systems which is grounded to a significant extent in the existing production structure.

Some positions on changing the production structure can be typified by their points of view on internal and external factors. Although all the positions demand a rise in the level of productivity in the socio-economic process, the weight they give to external and internal factors clearly distinguishes them. At one extreme, priority is given to participation in the international economy as a means of producing beneficial effects in the domestic economy; at the other extreme, weight is mainly given to the internal economic structure and international participation is seen as a requirement to facilitate this. The middle position proposes a careful balance between the external and the internal, based on the interaction of the two spheres. Nevertheless, it must be admitted that such positions are only attempts to express intentions and, including those now in operation, are still far from constituting completed ideas of practical use for government action. For the time being, they have been useful only for identifying the main lines of neo-liberalism and neo-structuralism; a more complete conceptual statement is still a long way off.

⁵ On the seriousness of this phenomenon see ECLAC/UNDP (1990), *Magnitud de la pobreza en América Latina en los años ochenta* (LC/L.533), Santiago, Chile, May.

In the marginally viable economies the emphasis must be put on the search for a greater degree of equity, thus fulfilling the primordial need to speed up the consolidation of the nations. The permanent

conflict in their societies originates mainly in various forms of segregation which are manifested not only in great imbalances in distribution but also in serious restrictions on economic expansion.

IV

Factors which determine production structure

The shape of a production structure is the result of a set of very diverse factors. The weighting of each varies, of course, in each particular case; nevertheless, the main factors tend to reappear persistently.

From the historical point of view, we must identify the factors related to the cultural origins of the population. The existence of pre-Columbian civilizations which occupied the geographic spaces in which a production structure existed and the kind and amount of migrations into these spaces are factors which have determined the development of socio-economic activity which subsequently shaped the existing production structures. The size of the indigenous populations and the degree to which they were subjugated, as well as the amount of migrations and, above all, their effective presence as agents of the existing economic process make this factor significant. The considerable structural diversity of the marginally viable economies is usually explained to a significant extent by the weight and existence of these two components of their populations.

The natural resource endowment of a territory is another factor which obviously shapes, over time, a production structure. For various reasons, the sequence of natural resource exploitation has determined the various cycles in the formation and transformation of the production structures. The maximum development, depletion, or substitution of a specific resource has been very significant in the behaviour of these economies.

The evolution of foreign demand and particularly the activities carried out by direct foreign investment has undoubtedly helped to define the production, distribution, and reproduction apparatus of these economies. In spite of the evolution of the terms of trade, the capacity of the workers in the peripheral countries to withstand hard times and the difficulty of rapidly reconverting activities tied to foreign trade have made these factors permanently influential, although they are largely exogenous, and, in some

peak periods, they have had a very decisive effect on the production structure.

Another factor which determines the shape of the production structure is government management and activity in directing the economic process. In fact, the development policies applied in the past, the economic policy which gave them shape, as well as the functioning of the public sector and its relationship with the private sector, make up another set of factors which explain the process from the initial situation of a specific economy, through the efforts of government management to the final phase of implementation, i.e., the formation, the social articulation and the coordination of the commercial and financial network which facilitates its operation.

It is clear that government intentions and actions reflect a specific power structure. Various groups exert pressure or, where they can, share directly in the decision-making process. In the case of development policy matters, they operate through trade unions or political parties. With respect to the effective management of economic policy and the operation of the system, they also defend their particular interests as strongly as their position in the power-structure allows. Their behaviour generates the environment in which a production structure comes into effect and operates. In the economies which are the subject of this paper, the existence of numerous oppressed indigenous populations was decisive in the persistence of the power structure over a long period. The dominant groups had no effective opposition and only in the middle of this century have social and political changes occurred to modify this situation.

There is not much sense in suggesting that the production and power structures are closely related, or that modifications to one imply modifications to the other. The relationship is much closer than that; they are inseparable entities, making up a fusion of actual processes and only for analytical purposes is it useful to refer to one or the other. Nevertheless, it

must be remembered that this dissection weakens the analysis and the interdisciplinary approach will rarely prove so useful.

At this stage it is almost superfluous to repeat that the factors indicated as the main determinants of the production structure affect each other and

mutually influence changes in their relative significance over time. Ultimately, the interpretation of trends in the production structure is an interpretation of development and the formulation of guidelines for changing them is the formulation of a different kind of development.

V

Structural change and development

If the concept of production structure outlined above is accepted, as well as the factors which determine it, it must be admitted that changes which can be recommended ultimately imply the proposal of a different kind of development in the future in the marginally viable economies. The tendency to associate the production structure mainly with the physical aspects of the economic process tends to relegate behavioural and power-structure studies to second place, i.e., to the socio-political sphere. Their interaction generally occurs in the process of seeking specific justifications by the more powerful participants and groups and, sometimes, is included within the activities of the public administration. Therefore, it is worthwhile to point out the real extent of a contemplated change in the production structure and to recognize that it is a deliberate attempt at imagining a different kind of development. How different and in what way will depend on the circumstances and possibilities of each economy and of the political plans supporting it.

Since social, political, and economic factors are fused in the operation of a production structure, any plan to change it must consider the kind of society desired for the future and the production structure on which that society should be based. By definition there is a clear priority: to effect changes and transformations in the social structure which will lead to a more equitable and cohesive society, and one which is economically and politically democratic. This preliminary definition will lead to a study of the necessary changes in the economic sphere and a national project or the resulting strategy could be outlined in a series of approximations. Obviously, these are intentions and procedures which in practice will need to be modified or even corrected. The practical situation will sometimes change timetables

and modify specific priorities, but a social compact will exist for the guidance of the public administration and the behaviour of the participants.

In spite of the great uncertainty in the situation facing the various agents as a result of the crisis period and the consequent delay in decisions on capital formation, the crisis has forced them to adopt positions on the basis of parameters determined largely by external phenomena rather than by a strategy agreed to in the context of the national economy. In other words, the most capable agents, particularly the entrepreneurs associated with transnational capital, have already begun to adjust to the new conditions they see in the world economy, although the potential economic and social effects of their activities cannot yet be calculated. The search for higher levels of international competition seems to be one of the most frequent goals of official policies and one most readily financed.

It is particularly worrying that the transformation of production structures is being brought about without government leadership and the agreements which could direct it to serve national goals. A change may meet the requirements of some agents, but will probably impede the achievement of other equally or more important goals, such as manpower absorption, the satisfaction of basic needs, and the problem of extreme poverty. The early years of the 1990s are witnessing some transformations being planned or initiated which will condition the shape of future development. In fact, even where phenomena can be clearly seen which are leading to undesirable production structures, the ability to redirect them appears to be very limited. Public policy priorities do not lie specifically in this area and even if they did, they would encounter difficulties resulting from the lack of a clearly defined alternative development policy.

In the more backward countries, the defence mechanisms deployed by the agents do not yet seem to be threatening the production structure. In fact, in those countries where an open economy is supported by official policy, industrial entrepreneurs are prescribing a kind of reconversion, decreasing the productive activities and replacing them with imports. However, a significant dismantling of the industrial infrastructure has not yet occurred as they wait for the clarification of uncertainties. Uncertainty has

paralysed where it has not decreased industrial investment and this will undoubtedly have undesirable effects on the future development of these countries. In these economies it is more appropriate to consider the direction that changes in the production structure could take. Obviously, overall consideration would be only relatively useful; the examination and evaluation of the alternatives in each case will help to shape a new development model for each one of these countries.

VI

Basic definitions

Before we discuss the outlines of a change in the production structure, we must come to a decision on certain basic questions which are a prerequisite for determining its direction and content.

It has been said repeatedly that the aim of a production structure is to guarantee in the future a dynamic economic expansion with greater equity. The overall conditions this new model should achieve have also been pointed out: selectivity, austerity, efficiency, participation, agreement, etc. On these matters, neo-structuralists usually agree; the literature does not reveal discrepancies or contradictions, but it must be recognized that in the countries we are discussing these positions are in their infancy and facing neo-liberal movements with strong political support and both internal and external financing. Also, the political sectors which could support them are dispersed and confused, as a result of well-known political changes.

The first and most basic definition must be of the commitment to consolidate democracy and of the ways and means of achieving this goal. Among the many tasks which this implies, it is extremely important, as we have already said, to consider how to meet the problem of extreme poverty, the degree and extent of which appears to be a potential source of disturbances in the functioning of these societies. Any estimate or prediction of the behaviour of the marginal population reveals the danger of a breakdown of democratic institutions if these people remain outside the socio-economic process.

In dealing with a specific economy, without the abstractions imposed by generalization, we should try to define the main beneficiaries of economic expansion. The social groups for whom the fruits of

growth are intended must be identified. This will provide useful information for estimating the changes to be made in consumption levels and in the structure of production, at least as regards the most immediate needs. Here lies the essence of what the other kind of development could be.⁶

Another essential definition concerns the selection of non-traditional export products to be encouraged in the future and the anticipated amount of traditional exports. These definitions will require a knowledge of foreign demand and its probable future evolution, a very difficult task in changing times, but certainly indispensable. The identification of the dynamic comparative advantages which the country could exploit or generate according to its resource base, its location, its indigenous population and other special characteristics, takes on increasing priority as the foreign market becomes more difficult and competitive. In this way, another set of factors conditioning change in the production structure will be available.

The identification of the main projects which will respond directly and indirectly to the consumption structure and the new export base will allow an evaluation of alternatives by pressure groups or members of the power structure associated with the resulting production changes. In other words, it should be possible to anticipate behavioural changes within the power groups or the rearrangement implied in the desired structural change. The resulting definition is related to the political support and to the nature of the consensus favouring the national transformation project.

⁶ An interesting attempt at identifying beneficiaries and products is found in Iván Finot (1989), *Redistribución del ingreso y necesidades básicas. Simulación y proyecciones para Bolivia (LCAP/R.80)*, Santiago, Chile, December.

VII

Political viability

Clearly, changes in the production structure will not be exclusively the result of vertical decrees of government policy. Compacts and agreements must be established among those who exercise power. The very persistence and depth of the crisis has made the positions of the traditional antagonists more mature and it is neither utopian nor naive to admit that there are some points of agreement and some mutual interests.

In some of these economies perceptions of the future on the part of the entrepreneurs have arisen which seem to have considerably softened their previous apathetic distributive postures. It can be seen clearly that the spread of extreme poverty and unemployment leads to non-viable social living conditions, where the danger to property and even to life is an insupportable risk. Young entrepreneurs are stating more frequently that they will not accept the criterion of the omnipresence of capital and that, conversely, they support democratic goals of "preserving a nation for everyone". It is not apparent how much of this is social conscience and how much an instinct for self-preservation; it is clear, however, that room for negotiation is opening which will be much more productive than mere statements. The very small size of many of the marginally viable economies also means that the number of leading agents is fewer, which will make it easier in studying policy projects to identify the different positions and come up with some compromises.

In these same countries, the trade union leadership also seems to have changed. Previous sectoral interests are giving way to an understanding of what can be done in the matter of redistribution. The crisis has hit the working class so hard that it has become aware that permanent confrontation could lead to even worse conditions. In the most politicized unions, there is an awareness that power brings greater responsibilities and they are also demanding compromises in order to avoid socio-economic chaos.

The motivation for these attempts to come to agreements seems to have been partly an awareness of the very low levels of productivity characteristic of a large part of the economic activity and the hostility of the outside world with respect to prices and financing. On the other hand, as the people face their daily frustrations with no sign of any solution they have directed their attention to more distant horizons and have become aware of the possibility that their living conditions could deteriorate even further. Some anticipate more difficult times if changes in direction are not made soon. Although in these countries and in their trade unions, the theme of structural change is not yet being studied, there is no doubt that here is fertile ground for proposing ideas and encouraging the development of proposals. Maybe, by discussing this theme, we can ascertain to what extent effective agreements can be worked out.

The indications of compromise between entrepreneurs and trade unions influence the behaviour of the more representative political parties. Most of them are drawing attention in their statements to the theme of extreme poverty. In any event, it cannot be denied that in various parts of society there are visible indications of convergence and unmistakable signs of a predisposition towards broad socio-political agreements. To the extent that these thoughts on the transformation of the production structure in the direction of equity and self-sustainable development on the basis of advances in productivity levels can take shape in national political projects, we can hope that the power structure will support these changes. Undoubtedly, this is a domestic task for the citizens of the countries which decide to modify their growth patterns and development style; exogenous contributions can only be relevant in the context of information about the probable future external world, the evaluation of economic viability and the degree to which the needs of development are met.

VIII

Planning and management

As has been said above, in recent years, a rethinking of underdevelopment has been taking place in the region. Faced with the emergence of new problems and changes in the old problems, analyses and interpretations of most social and economic problems are usually novel or unprecedented. The reiteration of these qualifications in numerous studies is precisely what emphasizes the singular nature of the phenomenon which is causing universal concern. The marginally viable economies have not been unaffected by such changes and attempts to reinterpret their development processes are taking place there as well.

As an almost natural result of this concern, the need also arises for a rethinking of planning. For this study a series of considerations are available which partly originate in what planning was in the past and in what it was thought to be. On the other hand, considerations also exist which arise from the greater complexity of today's world and the need to face the serious problems of the region and problems which it is easy to predict for the future.

In such fragmented societies, the possibilities of government are usually directed towards obligation, regulation, and vertical pressure, with almost always ephemeral and partial, if not counter-productive, results. A broadening of this capacity requires commitments to respond to the most urgent needs of the overlooked population and policies whose realism lends them credibility. The national policies will have to be adapted to the new directions of political controversy, where the identification of concrete problems needing solution and the ways of doing this are necessary to gain political support.

In the marginally viable economies, the tasks of government in this decade will demand new proposals from planning, directly aimed at solving the problems affecting their populations and at increasing the capacity of their political leadership to govern.⁷ The crisis years are showing that long-term plans must be made and that the serious gaps in social policy must be filled. No matter how successful the association with the outside world, internal contradictions will persist if not worsen. The search for unconventional alternatives in the midst of a vast range of

serious limitations could pave the way for the indolence of neo-liberalism and the temptation it has for some of the agents of the system. It is not simply a question of controlling the excesses of the market and compensating for its deficiencies. It is much more than that. It is a question of achieving a community of interests which will, on the one hand, fairly distribute the returns on capital, intellect, and work, and, on the other hand, clarify the uncertainties of the future, commit society as a whole to the pursuit of a politically viable solution, which is socially equitable and economically sustainable. In this respect, new functions and responsibilities for planning will undoubtedly emerge in order to increase government capacity.

Among the various preoccupations reflected in efforts to renew planning in these economies the analysis of the management problem and proposals to solve it seems to constitute a genuine and legitimate priority. Various assessments of past planning conclude that the intentions of the plans were not transformed into concrete actions and policies. It will no longer be acceptable in future evaluations of planning processes to admit that plan and reality were not the same because the plan did not take into account the limitations of reality and that the reality created by pressure groups was ignored by the plan. To avoid this, the plan must cover the management problem at all levels and extend into the area of economic policy, State action, and administrative procedure. In fact, the management of the plan, the functioning of the public administration and the behaviour of private initiative must all be compatible with the purposes of the plan.

In the past, the execution of the plan was a separate phase and not the responsibility of the planning agency. This led to inevitable divergencies between intentions and activities. It is now proposed that the plan should include economic policy regulations and that the planning agency directors should make their presence felt and participate in the taking of decisions. In this way, public and private activity should have the necessary coherence. In studying the management question, attention is usually focused on the problem of policy coordination which is certainly very important, but in considering priorities, there are other management questions which must also be tackled.

⁷ See ILPES (1990), *New Guidelines for Work in 1990-1991 and Summary of Activities in 1988-1989* (LC/G.1607(SES.23/11) (LC/IP/G.54) especially chapter I, Santiago, Chile, March.

IX

The scope of management

In the marginally viable economies, inadequate management largely explains the extremely low productivity levels. In fact, the average level of productivity is close to that of the most inefficient operators in the system. The great efforts and sacrifices of some public or private economic units are frequently frustrated by inefficient and contradictory economic operations, which are absolutely unacceptable. Subordinate public agencies complicate operational sequences; struggles between ministries neutralize and impede decision-making; economic units which fail to meet anticipated deadlines slow down the pace of production; archaic laws, out-of-date legal procedures, and obsolete administrative procedures constitute irrational obstacles to the adoption of decisions. These hindrances largely explain the low yields of the performance of these economies.

To seriously confront the management problem in these particular economies, a more integrated view of the problem is needed, distinguishing between different areas of management. Management in the political area is closely related to the achievement of compromises and agreements, both on the strategic outlines of the national project, and on development policy and the management of the more delicate details of the economic policy. In this area the agency responsible for planning will have to play a crucial role in initiating dialogue and discussion, guaranteeing seriousness and thoroughness in the consideration of alternatives. Through the assessment of such alternatives, the planning agency can help to achieve the desired agreements. This is certainly a new role for planning, which will doubtless give it a very special central place in making decisions. The task of systematically evaluating the alternatives arising from the interests of the parties concerned will

make it possible to reach a consensus both at the strictly trade union level and also among the more representative political groups. In mixed economies, such as are being dealt with here, discussion and agreements between the entrepreneurs and the trade unions are indispensable prerequisites if the plan is going to conform to reality.

As for the functioning of the socio-economic system, management should cover both the performance of public and private enterprise as well as the coordination of public policy with a view to meeting the goals of the plan. Public administrative management is intimately tied to economic management. There is no doubt that a management system which includes public order, trade unions and social compacts, the working of economic units, the coordination of public policy and the State administration, will make planning an effective tool for directing economic, social, and political processes. In this way, the planning agency will gain renewed strength within the public system as a key element in the decision-making process.

The ideas of efficiency and increasing productivity levels are directly related to the subject of socio-economic management. It is recognized that the productivity of an economic system depends on a series of factors such as price levels and the pricing system, the quality and competence of the human resources, the availability of natural resources with dynamic markets, the selection of technologies, operational modernization and so on. But a factor not always given sufficient weight is precisely management, particularly with respect to the coordination of public policy, the synchronization of the economic processes of the main production units and the compatible functioning of the administrative machinery.

X

Productivity and the allocation of responsibility

Raising the quality of management in the marginally viable economies depends basically, on a precise identification of the leaders, agents, and operators of the system, to cover the three areas mentioned: the political, the socio-economic and the administrative. It also depends on allocating and accepting specific responsibilities for the objectives, goals, timetables, procedures, etc. There is no doubt that from the point of view of public judgement the principle of recognizing success and criticizing failure to meet obligations could be a valuable complement to the system of incentives and deterrents commonly used in personnel administration.

An essential aspect of management is the allocation of responsibilities. In the marginally viable economies, one of whose characteristics is their small size, it is not difficult to identify the main nerve centres, i.e., the key factors which govern the political, socio-economic and administrative processes which through their interrelationships have a decisive influence on the rest of the activity in the system. The identification and selection of the nerve centres in these economies cannot be divorced from the development style sought or, of course, the content of the plan backing it. These supporting considerations are the origin of the criteria for selecting these centres and identifying their most important interrelationships.

Each nucleus will be made up of one or more economic units producing goods or services, the respective trade union and entrepreneurial organizations, and the State agencies directly associated with their activity. Then, the responsible and influential agents in each one of these nerve centres must be identified and described together with their best-known affiliates. The preparation of this map of agents and operators forms the basis of a serious and thorough task which will make it possible to detect management weaknesses in the marginally viable economies. Government capacity depends very directly on understandings and agreements, etc., which can be tested against the above-mentioned map. Nevertheless, the acceptance of responsibility and the certainty of having to account to society for

failure, is the other side of the coin which certainly broadens government capacity and the running of the socio-economic system.

Given the variety of matters on which agreement should be reached, a distinction must be made between those at the one extreme who commit the highest levels of the political parties and trade unions, and those at the other extreme who need a wide public consensus. The preparation of a development strategy, for example, begins with a small intellectual and politically élite group, whereas a government programme requires extensive discussion with the participation of a wide range of directors, agents, and operators in the system who must reconcile their various points of view in order to achieve viability and public support. This is the work of strictly political management. The identification and selection of specific projects and economic policy measures to make the socio-economic system work along the lines of the preconceived strategy is another management sphere which requires agreements and consensus. The operation and performance of public and private economic units, as well as of the relevant administrative machinery, also requires a degree of acceptance of compromise and responsibility.

The marginally viable economies are usually faced with a limited choice of alternatives. The scarcity of resources and the extent of their extreme poverty concentrates their strategic positions in a confined area where the list of possibilities in the three areas of management is not made up of unmanageable numbers. Similarly, the map of directors, agents and operators is on a small scale. Therefore, it is a question of linking both kinds of information together and establishing negotiation agendas at each level. It will be clearer now, why the planning agency could play such a decisive role. There does not seem to be another agency in the public sector with the same advantages and capabilities for simultaneously evaluating the long-term alternatives, the allocation of resources, the medium-term objectives, the management of economic policy and the operation of the administrative machinery.

XI

The nerve centres and poverty

This broad view of management is synonymous with a planning methodology which, as well as taking sectors and regions into account, precisely identifies the so-called nerve centres and their most important economic units. In traditional planning, the "implementation and follow-up" of the plan occurred after and separate from its conception and normally served to show that it was not being carried out. In the new approach, the management theme, or its practical operation by means of a series of agreements, must be included in the design of the plan. A different path will be followed involving successive approximations between the objectives, the degree and speed of completion, and the agreements achieved. The plan will have less literature and many more tables incorporating quantitative and qualitative variables as well as specific undertakings. The coherent and coordinated functioning of the various nerve centres, in the directions predicted and agreed in the plan, will guarantee its completion and also make it possible to allocate responsibility for mistakes and failures. It will also allow the appropriate social censure and the necessary corrections.

No matter how much progress is made in this direction and in the allocation of responsibility, it must be admitted that, because of exogenous and unforeseen events, such as failure to meet obligations, justifiably or not, it will be necessary to correct timetables and even to review the actual objectives of the plan. The ability to anticipate such events increases when disaggregated variables related to the nerve centres are closely monitored. In fact, while planning was limited to considering the macroeconomic variables, there was no possibility of checking up early on the execution of the plan, and even less of a timely correction of its performance. The relationship between the physical variables of the plans and the tools of economic policy was an insoluble problem because they were in different categories. Conversely, the disaggregation resulting from planning by nerve centres makes this relationship possible and, with respect to the economic units involved, the real significance of the management of each tool of economic policy can be evaluated. In this way the timetables of the planning

can proceed coherently and interdependently. Plan and management, planners and managers, intentions and actions will all form part of a coordinated process with the main emphasis on compatibility.

Since the main problem of marginally viable economies, is the extent and severity of their extreme poverty, political, socio-economic and administrative management will be directed towards massive social projects in which community participation will reach decisive levels. This makes the management theme specific. Political and social agreements for a decisive attack on poverty cannot be ignored by those in power, but there must be a guarantee that these agreements take the form of real commitments and concrete actions. Although immutable laws, such as the law of gravity, have no parallel in the social sciences, when problems become acute and threaten to engulf the continent, forces seem to arise which, without obeying universal laws, can reproduce on a large scale the epiphenomenon of *Crónica de una muerte anunciada* by García Márquez. In these societies, the more powerful agents seem to have become aware of the potential non-viability of their economic apparatus and the precarious social living conditions if a solution is not found to the problem of extreme poverty. It can be seen everywhere and to a degree that troubles the conscience to the point that agreements considered utopian yesterday have today become needs and tomorrow will be obligations.

The force with which the theme of decentralization has burst in upon these societies is another indication that demands for greater equity are spreading territorially and are difficult to control. It does not seem far-fetched to suggest that the 1990s will be characterized by numerous efforts and processes of deconcentration, decentralization and economic democratization. A new spatial dimension, the product of the new importance of the regions, can be understood as an indispensable condition for achieving a greater degree of equity.

This decisive attack on the problem of extreme poverty does not imply any disregard for the other aspects which can guarantee viability. As already indicated, the technological revolution is eliminating the traditional comparative advantages of these

economies and their external sectors, already very vulnerable, have an even worse prognosis. They must search for and generate new comparative advantages as a natural means of defence against the hostility of the outside world. It is certainly a difficult task and even more so in economies plagued by ills which impede their expansion and modernization. In this field, the theme of economic and administrative management becomes crucial with respect to competitiveness and the penetration of foreign markets. The demands of management impose on these economies, standards of efficiency which are not compatible with the slow tempo of their production, distribution and administration apparatus.

The attainment of competitive prices and quality, the fulfilment of schedules and the continuity of supply to foreign markets require economic and administrative management which is not readily available in the usual processes in these economies. Ad hoc operations are necessary, which imply production and distribution networks as well as special regulations. Probably this is an area where management will have to be more ingenious and where procedures can only be rationalized by conceiving of a procedure superimposed on the existing network of conventional activities. This will be a major challenge for the planning agency entrusted with management as an essential function in the planning of the future.

XII

Management and the absorption of technology

The technological revolution occurring in the industrialized centres, part of whose results is already evident, has harmful implications for the developing world, from one point of view, although from another, it could provide interesting alternatives. Nevertheless, when the pros and cons are summed up, the cons are more numerous, seem to carry more weight, and automatically affect the economies. Conversely, to gain some advantage requires daring efforts. Certainly, the outside world will be more hostile and it is clear that the marginally viable economies will face dilemmas difficult to overcome in their efforts to avoid being even more excluded from the world of the future if at the same time they have to absorb productively their huge contingent of unemployed and underemployed population.⁸

The identification and evaluation of technological processes for their adaptation to these economies are vital tasks because they affect the essence of both the productivity of the economic machinery and also the equitable functioning of the society. The first task will be to enhance their capacity to keep their better trained talents and

professionals at home; the second, will be to select carefully the activities which will have to be adapted to high technology and those which can be modernized with mature technology. Finally, the selection and adaptation of the technological processes to the various activities selected will complete the cycle of improvements subjected to extremely severe limitations.

Without doubt, the scarcity of financing and of qualified human resources is the main limitation and makes strict selectivity imperative. Because of the diversity and nature of technological innovation, whose effects will significantly modify production and distribution processes, these countries must adopt a strategic position. It is unnecessary to point out the effects of this technological revolution on the production units, their management, organization, costs, and new networks. The production structures of the marginally viable economies are compelled to undergo changes. The lack of a policy to effect these changes could result in distortions even more contradictory and perverse than those now existing. In this situation, management, particularly in the areas of production and administration, must be studied from the point of view of the changes and the complexity implied by this technological revolution.

Space for the scientific research needed for technological advances in the countries themselves is extremely limited and should be reserved for very

⁸See Carlota Pérez (1986), "Las nuevas tecnologías, una visión de conjunto", C. Ominami (ed.), *La tercera revolución industrial. Impactos internacionales del actual viraje tecnológico*, Buenos Aires, Grupo Editor Latinoamericano (GEL) and the Programme of Joint Studies on the International Relations of Latin America (RIAL).

specialized fields. In any case, it would be reasonable to concentrate on the selection and adaptation of those fields already mentioned. If this effort were successful, it would be an important achievement, when we remember how far away from this objective the economies studied in this paper are at present. Selectivity and optimization with an eye to the future are concepts inherent in planning and, in this argument, synonymous with management tasks. To launch a specific policy for this purpose is another challenge to which these economies should give

priority. The failures experienced in this area have been caused by exaggerated expectations which have soon been frustrated and by weakness in carrying them out in pragmatic policies. It is more appropriate in designing a specific policy to slow down the rate of emigration of talented and highly qualified professionals and to facilitate the evaluation of technologies to be selected and adapted. The achievement of this goal through proper management is essential and has become a priority in the marginally viable economies.

XIII

Concluding thoughts

If a list is made of the priorities dealt with above, it will be seen that they contain contradictory alternatives which could neutralize or even work against their effectiveness. In fact, the attack on the problem of extreme poverty by productively absorbing excess manpower, the achievement of a firmer international position by generating dynamic comparative advantages, the choice of suitable technologies in the face of a new industrial revolution, and the fulfilment of all these tasks in the context of restrictions on productivity and competitiveness in extremely depressed economies and disorientated and frustrated societies, are extraordinarily difficult from any point of view. Moreover, if we add the need to consolidate democracy, critics may say that these proposals are a search for the impossible. Nevertheless, as we face these difficult tasks, we must recognize that one of

the functions of planning is precisely to examine and reflect upon possible alternatives for meeting this set of goals, establishing priorities, sequences, postponements and even sacrifices. We must also consider whether the limitations are really insurmountable with respect, of course, to the main object of combating poverty. This would seem to be the main task occupying the attention of planning in the 1990s. And once again we must stress that the attainment of agreements through effective compromises and the incorporation of the management theme in the daily activities of planners certainly opens up a new perspective in the social and economic administration of these economies. The discussion of alternatives at different levels and their careful assessment will represent a technical and political contribution to increasing government capacity in the marginally viable economies.