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Democracy and economics*

Gert Rosenthal, Executive Secretary, ECLAC

The topic which has brought us together at this Round Table organized by FLASCO is by no means a trivial one. To begin with, the crisis which the Latin American societies have had to live through and the dizzy pace of the changes which are taking place in the world have brought into question all the traditional approaches of the social sciences. In this respect, it is necessary to reflect seriously on the basic premises of the various disciplines as well as on interdisciplinary co-operation in order to tackle social realities. Secondly, an analysis of the specific topic which has brought us together here (the relation between the social sciences and democratization) is particularly appropriate in the current Latin American context of the rebirth of democracy.

In general, all the social disciplines have a contribution to make to democratization. Thus, for example, among other aspects, sociology should identify the best and most effective forms of participation; anthropology should indicate the most suitable microrelations for the global support of democracy; social psychology should help to understand the swings in public opinion and aid in finding the underlying roots of mass phenomena, and political science should identify the forms of organization capable of providing a democratic interface between society at large and the State.

I think that now, in view of my profession and my current responsibilities as Executive Secretary of the Economic Commission for Latin America and the Caribbean, it is appropriate for me to approach democratization from the point of view of economics, in order to try to identify the interaction between economic and political phenomena and between development and democracy. This is a difficult task which was tackled in a notably profound and elegant manner, at least in our own organization, by José Medina Echavarría (Guirieri, 1980). Another investigation which springs to mind is the monumental work of Albert O. Hirschman, who has devoted much of his life in one way or another to exploring the links between economics and politics. The reflections which I am going to set forth now were inspired by the contributions of both Medina Echavarría and Hirschman. I shall refer basically to the still unfinished quest for the causal relations between the two disciplines of economics and politics: what was originally known as political economy, before the academic separation of these two social sciences.

Until quite recently, the relations between economics and politics seemed to be perfectly unambiguous: economic phenomena determined political developments, or vice versa. To give only one example, it may be recalled that it was maintained that the forms of ownership of the means of production would determine the nature of the prevailing political régime. Likewise, to give a more recent illustration, Guillermo O'Donnell held that import substitution policies were consistent with a certain type of political régime: i.e., bureaucratic authoritarianism (O'Donnell, 1975). Perhaps it is the extensive set of methodological instruments available to economics—more highly developed than those of the other social disciplines—which has encouraged attempts to seek the basis of politics in the principles of economics.

Similarly, political explanations have been put forward for economic phenomena, as

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1. In the simplified terms of schematic Marxism, for example, it may be recalled that slavery corresponded to the ancient form of production and absolute despotism; serfdom corresponded to feudalism and the monarchy, and the proletariat corresponds to capitalism and bourgeois democracy.
for example the inflationary effect of increased public spending before an electoral process. There have even been politicians who have maintained that economics should be placed at the service of politics. This crystal-clear determinism between what used to be known as the forces of production and production relations, or between the infrastructure and the superstructure, or between objective facts and ideology, was not restricted to the academic field. It also served to rationalize the establishment of those bureaucratic-authoritarian régimes which became the most important feature of what was until recently known as "real socialism".

Equally deterministic, although at the other extreme of the ideological spectrum, are the assertions that democracy is the political régime most compatible with the successful functioning of the market. In order to sustain this assertion, it is adduced that the most advanced industrialized economies are all representative democracies. Likewise, it is maintained that the market attains its greatest potential in political régimes which place the defence of individual rights before the rationale of the State. These régimes are inspired by a kind of negative determinism which holds that the best State is the least State.

Experience gives grounds for doubting such single-minded determinism, however. The example of India shows that democracy can also function in societies with very low levels of income. On the other hand, many cases in Latin America have shown that the free functioning of the market mechanisms is frequently accompanied by very pronounced inequalities in income levels which may ultimately be dysfunctional for democracy. It should be remembered that democracy and democratization assume not only the existence of the basic rules of representative democracy but also the concepts of equity, participation and full citizenship.

Some of the events which took place in 1989 have in fact largely disproved the idea that there is a single set of determining economic and political factors which establish the links between the two disciplines, or that there is a global paradigm which foreordains the degree to which economics determines politics, or vice versa. As we were reminded by Adam Michnik, who was so closely linked with the series of events that shook Poland and the rest of Central and Eastern Europe in recent years, "what we have learned during the past year (the most extraordinary of the whole 44 years of my life) is that in history there is no determinism" (Michnik, 1990, p. 7).

In view of what has happened both in the socialist world and in Latin America, it has become abundantly clear that the relations between economics and politics are indeterminate and that the search for totalizing paradigms can become an obstacle to understanding, as Hirschman already maintained twenty years ago (Hirschman, 1971, p. 342-360). It is now claimed rather that instead of making yet another appeal for a single "integrated social science" it is more fruitful to build bridges, in a "decentralized" manner, bridges both between these two disciplines and between them and the rest of the social sciences (ibid., pp. 1 and 2).

Adopting this approach and giving up any idea of an infallible, universal technique for weighing the influence of one phenomenon on another means abandoning the dream of finding a single synthetic paradigm which will integrate all the social disciplines. In this connection, with respect to the consolidation of democracy in Latin America, Hirschman

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2“‘The aim of socialism is to overcome the supposed autonomy of economic factors predicated by liberalism’” (Aron, 1972, p. 86).

3Supposedly because the market decentralizes, while planning centralizes. Charles Lindblom, however, has shown that this distinction is not so clear (Lindblom, 1977).

4The argument is that "order generated without any previous plan can considerably surpass any plans that men can invent" because of the "superior capacity (of capitalism) to make use of dispersed knowledge" (Hayek, 1988, p. 8).
has offered some suggestions on the relations between economics and politics which are extremely relevant to the topic of this discussion (Hirschman, 1986, pp. 176-182).

Firstly, all good things do not necessarily come together. Economists have long debated the possible contradictions between growth and equity, for example. The debate is not yet over, but it must be admitted that there is at least a possibility that sometimes, when pursuing two highly desirable objectives such as economic growth and social equity, the attainment of one of these objectives must be given priority over the other, although of course the imbalance thus created can later be corrected.

Secondly, and in the same line of thought, development and democracy do not necessarily go hand in hand. Thus, the 1980s—the so-called "lost decade" for development—coincided with a process of opening up to democracy and transition from authoritarian regimes to civil governments, in contrast with what happened in the Great Depression of the 1930s, when the economic recession was accompanied by authoritarian governments.

Thirdly, uncertainty with regard to the paths to follow and the firmness of the opinions held may even be a "democratic virtue". Thus, excessively cut and dried action programmes may be incompatible with the ongoing negotiation which democracy demands, and this may also be why the technocrats have rediscovered the virtues of pragmatism.

Finally, this leaning to uncertainty fits in very well with the definition of democracy proposed by E. P. Thompson: a process which is set in motion without anyone knowing for certain exactly where it is going to end (Thompson, 1966, p. 101). This means that in democratic regimes—in contrast with what happens in technocracies—it is preferable that the pretensions of all the social sciences should be on the modest side.

How are the foregoing considerations reflected in ECLAC's recent work? In this respect, I should like to refer to our proposal entitled Changing production patterns with social equity (ECLAC, 1990). In that document we maintain that the prime, common task of the countries of Latin America and the Caribbean—that of changing their production patterns within a context of growing social equity—must be carried out in a democratic, pluralistic and participative context. It is posited that this requirement should be fulfilled as a deliberate choice, not as the inevitable result of the emergence of other conditions.

In other words, we want development to take place in democracy, and we propose that specific efforts should be made to ensure that changing production patterns, equity and democracy back each other up. At the same time, however, we expressly recognize that there is nothing automatic or predetermined in all this. Facing up to such demands simultaneously represents a tremendous challenge which cannot be overcome on the basis of a single universally valid paradigm.

In conclusion, our proposal traces a course to follow and at the same time opens up a broad field for reflection and action on the part of the social sciences, in which some central issues for sociology and the political sciences stand out very prominently: reform of the State, transformation of the educational system, and the development of suitable forms of social consensus building and participation. In all these fields, reflection and action can only be carried out successfully through interdisciplinary co-operation. I wish to stress once again, however, that this does not mean that we are advocating a synthetic paradigm designed to integrate all the social disciplines and provide an infallible universal technique for weighing the influence of one phenomenon on another. It simply means that in respect of these issues, which are of such crucial importance for our times, we have before us a new field of co-operation between the social sciences in the region.
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