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WU 1992

Decentralization and equity

*Sergio Boisier**

ECLAC has staked its all on the *idée-force* of changing production patterns with equity and sustainability. It has done well to take this decision, and it would be desirable for all the "players" (at least those in the institution itself) to unite their efforts to turn a test tube utopia into an effective and efficient social practice.

The task that must be carried out is not an easy one, and progressing from the level of an *idée-force* to a higher paradigmatic level involves—as has already been recognized—defining each of the basic concepts and the system as a whole more precisely, and above all making them more operational.

This article explores, in a preliminary but nonetheless pointed manner, the ways in which appropriate political and territorial decentralization can help to strengthen such a weak and historically elusive link in the chain as *equity*, in so far as this is associated with better access to two socially scarce resources: political power on the one hand, and productive employment on the other.

The creation of a broad set of representative spaces which facilitate active participation and systematic meeting of citizens and bureaucrats (in the good sense of the term) and which are located between the State and the individual, and the potential offered by a modern sector of small and medium-sized enterprises in terms of the creation of jobs are the two central proposals of the article, it being naturally understood that both processes must take place within a deconcentrated and decentralized framework of policies and programmes.

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Introduction

"Changing production patterns with equity and sustainability" is an *idée-force*, that is to say, a conceptual matrix which gives rise to research and action proposals that seek to determine what lies behind the basic concepts of this *idée-force* and, in particular, answer the question of how to attain such a complex multidimensional objective as that expressed in it.

On the basis of the two fundamental documents prepared by ECLAC (ECLAC, 1990a and 1991a) and the internal discussions held on them, it was possible to identify a number of "pending issues", which is the term used to describe the set of collateral (and in some cases operational) issues which, understandably, were not considered in those two proposals.

One of these issues—which is repeatedly referred to in both studies—is decentralization, and especially *territorial* decentralization, at the level of regions or communes. It may be argued that such decentralization is a *necessary* condition for simultaneously achieving changes in production patterns, equity and sustainability, although it must not be interpreted as meaning that this condition is equally important in all cases.

Consequently, a preliminary exploration will now be made of the "interface" between one of the basic concepts in the *idée-force* (equity) and territorial decentralization.

The general argument which serves as a framework for the study is that the process of changing production patterns depends largely—according to a number of authors—on the formation of synergic agglomerates, that is to say, systemic structures with a high degree of feedback made up of enterprises, scientific and technological research centres, business associations, corporations and the government itself (at its different levels). These agglomerates do not come into being spontaneously (one of their own components acts as a catalyst), nor are they distributed randomly over the territory, since there is a certain affinity with some forms of accumulated capital (infrastructure, industrial tradition, innovative attitudes, etc.) which differ in different parts of the territory.

Thus, the coexistence of these latter elements with a component which can act as a catalyst of the synergic agglomerate, *local government*, can

bring on a systematic process of innovation. It goes without saying that the local government (of a region or a commune) can only carry out a catalytic function in a context of real decentralization.

Social inequity, for its part, has an undeniable geographical configuration in each country, as is shown not only by the well-known rural-urban contrast but also by the interjurisdictional differences in levels of poverty (including their causal factors).

There is a growing conviction that in order to bring about profound changes in the current situation of social inequity it is essential to have a modern labour market on a stable basis. The flexibilization of this market appears to be more and more closely linked with the behaviour of small and medium-sized enterprises and promotion and stimulation measures of an essentially local nature –without prejudice to their forming part of the general context of macroeconomic policies–, and this in turn presupposes decentralization in favour of governments at the level of regions and communes.

The deconcentrated and/or decentralized administration of employment policies and programmes can help substantially to increase their effectiveness and efficiency. This would be of little use, however, if the general trend of economic policy were biased against growth of employment or in favour of activities which make more intensive use of capital than of labour.

According to numerous studies, enterprises of different sizes and types display great variations as regards their capacity to generate employment; some types of producers make more intensive use of labour than others. Likewise, the economic soundness and viability of enterprises of different types and sizes is considerably influenced by the economic policy context in which they operate. This means that if the economic policy has a negative bias, it is not possible to use the potential for expanding productive employment by stimulating particular categories of producers, such as small and medium-sized enterprises, as shown in a recent international study (Haggblade, Liedholm and Mead, 1990).

From another point of view, political/territorial decentralization, by creating *representative political spaces*, automatically helps to

reduce social inequity, since this also depends on limited access to power.

If a country and its economy are to be strong in the long term, this calls for strong regions and strong economic sectors. Territorial macrocephaly is incompatible with an economy enjoying long-term macroeconomic balance. Consequently, regional development begins to shape a new field of public policy and, among other attributes assigned to it, a “positive and active social attitude with regard to the preservation of the regional environment” appears as a decisive variable in the development of each region.

It does not seem possible to arouse and maintain such an attitude in a regional community, however, if this does not have real possibilities of managing its own environment: a question which is once again linked with the process of decentralization.

The extraordinary rapidity of technological, economic, social and political change all over the world is overthrowing utopias, ideologies, rationales and concepts which it was believed were firmly established. This process has naturally profoundly affected the basis of the regional paradigm, in its most Kuhnian sense (if we may use such an adjective). The professional training and intellectual endowments of the recent past seem to have lost their usefulness, and no-one knows for certain how to give them validity again, since the new context of development may be so ephemeral that it hardly gives us time to understand it.

Paradoxically, in such a turbulent setting, which tends to break up only to reorganize itself again, we see the strength and permanence of the organized territory, that is to say, of localities, which are veritable fractals of an apparently chaotic reality.

We are witnessing the dismemberment of nation-States which subsequently regroup themselves into supra-national political and economic structures, while at the same time their regions and cities strengthen themselves in order to recover their identity and compete for capital and technology.

At the same time, the Welfare State and the great social safety nets (big firms, big trade unions, stable employment and collective social security) are collapsing, while the local level is being strengthened as a territory of solidarity.

The crisis in the modern rationale is driving the world towards an explosion of heterogeneity and diversity. What is important today is not equality pure and simple, but the ability to produce different goods, consume different products, and live in a more segregated manner. In the dialectic between alienation and individualism, the special features of the habitat, the uniqueness of the territory and the particular nature of the autochthonous are emerging as a synthesis which may be either transitory or definitive: no-one yet knows.

The transition towards changing production patterns which are now compatible with social justice (or at least with less injustice) and with the preservation of the fundamental structures of "Spaceship Earth" seems to place the organized territory in the position of a synthetic and systemic unit of an equitable and sustainable form of modernization.

Possibly the most significant contextual change which has taken place in recent years in the approach to local development is the preponderant role now assigned to the localities themselves in the design of their development proposals. In keeping with the decentralizing and privatizing trends, the central and national government has decided to transfer to the regions themselves the tasks which until recently were considered the responsibility of the central authority, the most important of them being the design of the national regional plan.

From being a mere "by-product" of the social relations of production, the individual space (or, more exactly, the organized territory (region, province, commune)) is now seen as the "agent" or "subject" of its own development, more endogenous and equitable, but in no way autarkic and indeed, on the contrary, fully incorporated into the world around it.

I

Decentralization: a new dimension of public policy

Latin America has a centralist type of culture, attributable to the fact that it has not undergone historical processes similar to the industrial revolution, the French Revolution, or feudalism, and also to the influence of a single religion of a latitudinarian nature.

Regardless of whether one agrees or disagrees with these hypotheses, one must recognize that they do contain an element of common sense. Whatever its origins may have been, and whatever benefits it provided in the past, centralization has become a characteristic feature (considered to be negative in Latin America), and this explains its generalized permanence, which makes it almost immune to any attempt to change it.

As usually happens in the case of a matter of such political importance which at the same time so deeply influences everyday life, the ideological and political positions on this matter tend to be polarized. Some see in decentralization a magic concept capable in itself of producing a whole mass of social changes, while others see it in almost demonological terms, as the ultimate attack on what remains of the Welfare State or on the

idealized remnants of a social order inevitably doomed to be replaced.

However, the real world operates in accordance with a less emotional form of logic, and the plain fact is that the tendency towards greater decentralization, that is to say, the tendency to organize society at some intermediate point in the *centralization-decentralization* continuum – a point closer to the second of these poles, of course – is a sign of the times which cannot be ignored.

Historical periods in which old and new paradigms overlap are naturally confused. A paradigm is not discarded from one day to the next, and consequently the new one does not come into effect instantaneously either. Changes in paradigms take time; it is necessary to adjust social, mental and cultural structures. We are now passing through one of these periods at the end of the twentieth century. The prevailing development paradigm, which among other features displays a bias in favour of large-scale (production and/or services) activities, the formation of territorial conglomerates which are big in terms of population and production, and also – as could hardly be otherwise –

the formation of verticalized, distinctly ranked and centralized systems of decision-making and organization, is being penetrated by another paradigm based on different concepts of industrial and territorial organization and different forms of distribution of decision-making power, extending from political power to the chains of command within business and social units.

For this reason, it is appropriate to speak of certain megatrends of universal scope which reflect the deployment of forces accompanying the new paradigm and tend to generate spaces where old and new decentralizing political projects acquire a potential viability which had been denied them in the past. Of course, if it is correct to say that there are *universal megatrends*, it is equally correct to maintain that they do not manifest themselves in exactly the same way and to exactly the same extent in each major region of the planet. Consequently, when comparing these trends with the actual situation of Latin America, the results must be appraised in relative terms.

Firstly, the scientific and technological revolution is seen as a phenomenon which, through its effects in the fields of *production, information and transport*, is shaping a new industrial panorama, or a new kind of industrial geography. It has been termed both a *dispersed economy* and a *variable geometry economy*, and its essential features are the replacement of the Fordist model in the organization of industrial work; the breakdown of large-scale trade union activity; new relations between capital and labour; the preeminence in production technology of "knowledge" inputs over the traditional ones and, finally, in the sphere of the territorial location of the new industrial stock, the presence of structures of industry which incorporate processes of delocation, deconcentration and, in the long run, decentralization.

Specifically, the impact of the scientific and technological revolution in the *production* sphere may be summarized through the following two aspects:

a) With the new industrial technology, *economies of scale* have lost importance in the stage of the final assembly of the product but have now become important in the phases of the

manufacture of component parts, accentuating the flexibility of response by industry to variations in demand.

b) Manufacture through systems such as CAD (Computer Assisted Design), CAM (Computer Assisted Manufacturing) and FIM (Flexible Integrated Manufacturing) makes it possible to produce parts in different places in a country (or in the whole world), for subsequent assembly on production lines directly linked with the final markets. In this way, it is possible to dissociate the various production units in spatial terms, without breaking up the functional unity of the process but at the same time maximizing the productivity and profitability of each location.

Both these aspects may acquire notable importance in the context of the new trade integration agreements (such as MERCOSUR), in connection with industries such as motor vehicle manufacture which are particularly suitable for operation under geographically disaggregated schemes.

In the field of *communications*, the effect of the scientific and technological revolution is reflected in such innovations as on-line computation, fibre optics, image and data transmission systems, and other systems which facilitate the spatial segmentation of entrepreneurial functions by permitting "face to face" communication through electronic means. Brazil is perhaps the most notable example of the modernization of communications as a requisite for the geographical deconcentration of the industrial system.

In the field of *transport*, the impact of the scientific and technological revolution is most clearly expressed in the expansion of high speed trains (France, Japan, Germany, Italy, Spain); the new intermodal systems which make possible transport without breaking bulk; the solution of the problem of saturation of air traffic which was so visible a few years ago; and the replacement of the types of goods transported in the past by products which weight less and have a higher unit value per tariff unit. Obviously, in some aspects the distance between the European situation and that of Latin America is out of this world, but nevertheless in the latter region there have been by no means negligible advances in the port infrastructure and management which have been

reflected in a reduction of costs, with obvious favourable consequences for the location of production activities on the "periphery".

All these effects make up the new "variable geometry economy" which is generating a potential space for greater territorial and decision-making decentralization.

Secondly, the process of the political restructuring of the State and the administrative restructuring of government must be highlighted as a trans-ideological force leading to decentralization.

As in many other orders of things, this reveals a dialectic operation. The changes in the system of industrial production and those which consequently take place in the mode of accumulation of the new and mature industrialized economies adversely affect the *accumulation function* of the State. Neither the previous forms of direct accumulation by the State (public ownership) nor the indirect forms of support (certain public policies) are of use any longer, and consequently the State goes through a process of metamorphosis in order to give rise to a new State which is functional to the new conditions (an example of this is provided by the modern policies of giving support to scientific and technical research instead of applying purely economic policies aimed at industrial promotion, or by the leading role assumed by the State in promoting new forms of international insertion and internal deregulation).

But this restructuring in Latin America is not due only to the need to bring the State (and the government) into line with the new forms of accumulation and international insertion. It is also due to the need to legitimize a new political order which is emerging once again all over the world—democracy—and which is also taking on new forms and adopting new procedures. The new democracy is of a more consensual nature, it assigns a more important role to civil society as a whole rather than merely to political society, it faces up to the challenge both of reaching understanding in cases of dissent and of expanding consensus, etc. If it were only a new version of the "old" democracy which was thus emerging, the "old" State would still be functional.

"In short, the challenge faced by the State in Latin America on the political plane is that of

profoundly changing its régime, due to the fact that it has to face the problem of implanting and exercising democracy in a society which is at present corporatist, disarticulated and without a clear system of hegemony" (Faletto, 1989).

Thirdly, mention must be made of the growing and universal demand by the organized bodies of civil society (many of them of a territorial nature) for greater spaces for self-realization, which implies the need for both decentralization (transfer of power) and autonomy (specific fields of competence).

It would seem that both individuals and collective bodies are gradually reaching their majority and becoming aware of the possibility and desirability of having greater capacity for self-government and self-representation. There is growing skepticism and mistrust with regard to national-level organizations (including political organizations), which are accused of being hide-bound, bureaucratic and centralist and more concerned with their fundamental objectives of permanence and expansion than with ensuring proper representation of social interests. In this context, the socio-territorial category of the *region* is seen as a barrier to the danger of veritable territorial anarchy when situations of exaggerated localism arise.

Behind this demand, of course, there are various forces which give special features to what at all events has the stature of a universal megatrend: ethnic, religious, economic and purely political factors help to design and put into effect territorial *social movements* and/or *political parties* with a clear regional identity which question above all the *domination* exercised by the central State itself or its representatives, the *central regions*.

These demands are closely linked with a kind of revitalization of participation. Thus, it is noted that among the policies for stimulating participation within the anti-hegemonic matrix is decentralization.

"In contrast with the dominant models, the emerging matrix offers a social participation model in which it demands local-scale bodies, the relative autonomy of civil society *vis-à-vis* the State, and the possibility of direct and constant action in the recognized fields of participation" (Hopenhayn, 1988).

Fourthly, mention must be made of the trend towards the privatization of production and service activities, as another megatrend which is contributing to the design of scenarios favourable to decentralization.

Strictly speaking, privatization is a formal act of decentralization, since it means transferring functions to bodies endowed with a *different juridical personality* from that of the body previously responsible for the production and/or supply of goods and/or services.

It has rightly been said that privatization is a burning question, and like all questions of that type, it has been advocated or attacked more often than it has been understood.

"The reasons for the general concern about this subject are clear, and although they vary from country to country, some common basic questions underlie the comparative analyses. Three of these should be emphasized: i) the imbalance in public financing, aggravated by the restrictions of the recent past and by the continuing growth of demands and costs; ii) concern over the quality of public management, which has been negatively influenced by the vested interests of corporate groups and by the rigidity of central bureaucracies in adapting and responding to periods of rapid change; and iii) the demonstration of obvious instances of overall inefficiency in the economies of the region and the need to improve their external competitiveness and rationalize their internal functioning.

"From this point of view, greater decentralization of decisions may be viewed as one of the ways to mobilize resources through new procedures and to overcome deficiencies in management and, on the other hand, as a hope for improving the prospects of adaptation to change and to innovation" (Martin, 1988).

On the other hand, it is well known that decentralization cannot be confined to the juridical-administrative field. Unless it is accompanied by the transfer of financial resources, it will remain mere empty rhetoric.

When a new system of allocation of fiscal resources between the "old" central State and the new local "quasi-States" is proposed, the traditional administrators of public resources react strongly and take all kinds of defensive action. This attitude is understandable, since they fear an assumed state of "fiscal disorder" which could endanger the stability of the macroeconomic balances.

The recent (1991) discussion in the Chilean Parliament on the proposed constitutional reforms in regional and municipal matters has reflected this situation, which places at the centre of the discussion a kind of *fiscal regionalism* derived from the well-known theory of fiscal federalism.

It is held that centralized handling of public funds is justified by reasons of efficiency (less tax distortion), coordination (in the case of certain types of indivisible public goods and services, or goods and services where economies of scale are important) and redistributive considerations. However, its drawbacks are no less important, as shown in Box 1.

In short, the fact that the question of decentralization has emerged anew with unusual force at the present time does not seem to be due to any kind of "perverse conspiracy", but to the dynamics and rationale of a varied set of trends.

A sound social reaction would be to try to take advantage of those trends in order to place them at the service of certain objectives regarding which there is little or no controversy: greater democracy, greater geographical balance of development, and greater confidence in the capacity of civil society.

What is involved, in the final analysis, is a *social wager* on a new "social compact" between the State and civil society under which the latter can systematically learn to assume once again the responsibilities which it exercised in various periods and at various times in the past but subsequently lost to the State. Demanding strict economic rationality in respect of this wager would be exaggerated, to say the least.

Box 1

PROBLEMS OF THE CENTRALIZATION OF PUBLIC FINANCES

The centralization of public finances has certain shortcomings from the point of view of efficiency and equity, as detailed below:

a) When the level, composition and form of financing of public expenditure are decided at the central level, they tend to reflect the national average of the preferences of the population. In contrast, local autonomy in determining them would permit greater flexibility to meet different tastes. Moreover, through a process of migration known as "voting with their feet", people with similar preferences would tend to go and live in the same locality, thus achieving greater adaptation to individual tastes.

b) When the provision of local public goods and services is decided upon at the central level, this calls for delegated bodies in each locality in order to obtain information on local needs and to supervise the execution of the projects. This means higher administrative costs than those of a decentralized form of management.

c) Central control of public funds raises problems in obtaining information on the value of certain local public goods and services which, since they are not traded on the market, have no explicit price (for example, road signs or clean air). This is because each locality tends to try to magnify the value of these goods and services in order to obtain a greater share of the centrally decided public expenditure. In contrast, if public expenditure were financed by the local community, that is to say, if the costs had to be borne by the local inhabitants themselves, they would be more willing to reveal their real preferences.

d) There is always a risk that the person responsible for taking decisions may act in an arbitrary way. The more centralized the decision-making process is, the more serious this problem, since there are more resources at the disposal of the central authorities and the coverage of their policies is greater. It should be noted that arbitrary action is further accentuated (since supervision is more complicated) when the benefits and costs of a project cannot be objectively quantified: that is to say, when they do not stem from public goods and services with explicit prices. For example, in allocating funds for the promotion of culture it is not easy to check that the projects are correctly evaluated, since the value of culture is essentially subjective.

e) In the field of taxation, there is also an aspect favouring decentralization. The closer the relationship between public expenditure and the taxes collected, the less incentive there will be for tax evasion, since the benefits derived from payment of taxes are perceived more closely.

To sum up, the decentralization of public finances must not be considered in completely positive or negative terms, since it depends on many aspects which need to be evaluated at the moment that a particular structure for the financial administration of the State is proposed.

Source: TASC (Economic Advisory Assistance to the National Congress) (1991). *Descentralización de las finanzas públicas*, Bulletin No. 21, ILADES/Georgetown University Programme, Santiago, Chile, July.

II**Equity and decentralization: an interactive duo**

The concept of equity is usually understood in three senses: the first corresponds to a classical approach and is connected with the ideas of commutative and distributive justice; the second, known as the modern sense, is associated with the philosophical principles of the French Revolution, and the third or present-day sense is broader than the other two and basically calls for the elimination of the economic, social and

political barriers which stand in the way of its realization (the achievement of equity). In turn, the modern sense has two variants: a liberal variant, which lays its main stress on the importance of the inequality which has grown up as a means of social stimulation, and a democratic variant which places greater emphasis on the establishment of suitable social conditions for true equality of opportunity.

"Therefore, as the inequality of opportunities for participating in the competition of skills begins almost at the moment when the child is conceived, in order to ensure equality of opportunity it is essential to *break the critical links in the social reproduction of inequality of initial conditions*" (ECLAC, 1990a) (Our italics).

One of these "critical links" is of a territorial nature, and it is through this link that equity is connected with decentralization.

As several authors have pointed out, *an individual's possibilities of realization in the course of his life depend both on his initial location in the social structure and his location in the territorial system* (Alden and Morgan, 1974).

What is asserted here is very simple: for a given social status it is "better" to be born in a big city than in a remote village in the jungle or the mountains. The possibilities for self-realization are different, and consequently "equality of opportunity to become unequal" is merely a fiction.

An important policy question also derives from this assertion. If this hypothesis is correct, it means that every social policy which aims at greater equity must include a territorial component in order to maximize its effectiveness and efficiency, and this opens up an important interface between social policies and territorial or regional policies (Boisier and Silva, 1989).

This hypothesis has received substantial empirical support, at least in Latin America. In particular, the studies carried out by León (León, 1982) with data from Colombia, Panama and Venezuela (Box 2) confirm that the mere location of persons, that is to say, their location in the territorial system, explains between 10% and 20% of the variation in income distribution among them. These results are in line with those previously obtained by Fields and Schultz in Colombia (Fields and Schultz, 1980). Likewise, the ECLAC report on the magnitude of poverty in Chile (ECLAC, 1990b) gives a very true picture of the territorial (regional) dimension of this social problem.

Thus, regardless of whether the problem of distribution is viewed from a purely conceptual standpoint or from a normative one, its territorial nature is evident, and it may therefore be asked if the introduction of decentralized forms of

decision-making would help to correct situations of inequality.

The nature of the *territory* in which each individual spends his life thus becomes a factor influencing his possibilities of satisfying both his basic needs and his needs for development or self-realization. The differences of quality between territories also determine the social distribution of the opportunities to gain access to wealth or create it. It has been said that the revolution in production and technology opens up enormous possibilities for the social redistribution of these opportunities. At the same time, however, it is recognized that it has had important real effects of greater inequity and impoverishment. The euphemistically termed "flexibilization" of labour relations may have meant, in addition to the material impoverishment of workers for a long space of time, a massive injection of insecurity into their lives. They can no longer hope, as they did in the past, to enter a big enterprise and protect themselves through a powerful trade union. Moreover, the Welfare State lies in ruins. It cannot provide them with such security, since the task of the new State is rather to support private enterprise, and it must try to redistribute that support as much as possible. How might it be possible to replace that model or pattern of security which the workers want? One response –and possibly a very important one– would be decentralization and territorial development.

Structurally improving a situation of inequality –particularly at the end of the twentieth century– means improving the access of the persons suffering from such inequality to two scarce social resources: power and employment, without prejudice to the need to apply certain direct redistributive policies.

Many people remain in a situation of poverty or a comparatively underprivileged situation because, apart from other factors, they lack organizational and political spaces in which they can make known their needs and demands: in other words, they do not have "intermediators" to represent them *vis-à-vis* the State or other organizations of civil and political society which could wholly or partly remedy their situation. This means that in order to improve their living conditions these persons need to have access to political power. Of course, this assertion does not imply any concealed support for "clientage": a common but spurious form of socio-political mediation.

In a classic article written fully twenty years ago it was stated that:

Box 2

THE TERRITORIAL DIMENSION OF SOCIAL INEQUALITY

The studies made on this subject with data from Colombia, Panama and Venezuela are based on the hypothesis that interregional disparities in income are basically determined by the specific form of insertion of the workers in question in qualitatively differentiated strata of the system of production, concentrated in differentiated areas or regions of the territory.

The following figures show the magnitude of the relative regional disparities in the three countries in question:

Relative regional disparities, 1970 (in US dollars)

	Panama	Venezuela	Colombia
1. Administrative area with highest average income (1)	2 375	1 368	1 758
2. Administrative area with lowest average income (2)	569	519	493
3. Ratio 1:2 (3)	4.2	2.6	3.6
4. Percentage of administrative areas with income levels below the national average	67	83	65

In Panama, income in the Metropolitan Area was 57% higher than the national average, and corresponded to 41% of the country's population. In Venezuela, income in the Metropolitan Area was 38% higher than the national average and corresponded to 32% of the population. In the case of Colombia, three areas (Bogotá D.E., Antioquia and Valle), with 40% of the population, had an average income 37% higher than the national average.

The relative importance of the territory in this problem is shown below (on the basis of Theil indices):

*Breakdown of overall disparities
(Percentages)*

	Panama	Venezuela	Colombia
Overall disparity	100.0	100.0	100.0
Disparity <i>between</i> areas	22.4	10.2	13.2
Disparity <i>within</i> areas	77.6	89.8	86.8

The differences in average income between regions are due to the existence of strata which are very different from the point of view of average productivity and forms of technico-social organization in each of the sectors of production.

Source: A. León (1982), *op. cit.*

"It is unquestionable that power is a determinant (sometimes of a relatively autonomous nature) of income distribution. Furthermore, the dynamics of the income structure are strongly influenced by the operation of power. It is quite true that power has its own logic, but there can be no doubt that such logic derives from important economic reasons. The roots of power lie deep in the structure of the distribution of wealth and income and, above all, in the most active vein of production relations" (Graciarena, 1971). Another author, writing of poverty, participation and regional development, said:

"The search for alternative approaches has caused poverty to be defined as a politically determined phenomenon, while equity, according to B. B. Schaffer and G. Lamb, has been defined as *an ideological construct on the distribution and sharing of resources in society, so that it is a political issue, in the sense of an intervention in the struggle between political ideas.*

"The relationship between economic power and political power means that the total or partial solution of poverty calls for the reorganization of the existing power structures. For a long time, the response was to call for radical political

change. The frustrations and difficulties encountered in experiments in this direction, however, have caused attention to be shifted to alternative strategies. Among these, the expansion of participation and political mobilization of the poor groups, as the fundamental basis for a process of real improvement, has received increasing attention.

"... These approaches, in turn, are to be found in a more disaggregated view of the contradictions within societies. In support of these ideas, it is argued that class interests are not the only ones, and that on the contrary, the interests of ethnic, regional and electoral groups form a more complex picture. Moreover, the existence of elitist groups with an altruistic form of behaviour should not be ruled out. An approach of this nature emphasizes localized action on a small scale. The success of the strategy calls for its generalization, however, in view of the fact that the poor are a majority, and it therefore means in the long run a substantial restructuring of the distribution of power" (Uribe-Echevarría, 1986).

Correcting social inequality then, involves *political and territorial decentralization*, so as to create numerous intermediate spaces between the State and the individual (extending all the way from neighbourhood associations, through the municipality, to the region itself), which multiply the probability – for any individual – of having access to intermediation bodies or more direct means of finding a solution. Thus, *decentralization is seen as a condition for equity*.

Participation, which is another form of creating power, cannot be understood apart from decentralization, if we are speaking of *real* and not merely *formal* participation. It has been asserted in this respect that:

"The contra-hegemonic participation matrix calls for decentralization processes which make it possible to strengthen resource management and use in the local spaces. One of the tasks of greatest scope and relevance in the design and application of social policies which aim to strengthen their impact through a participative reception in the community is to investigate and design models for securing better linkages between local governments and grass-roots organizations. Decentralization makes it necessary to rethink the relationship between central

planning bodies, ministerial offices connected with the execution of policies and programmes, municipalities and communities" (Hopenhayn, 1988).

At the same time, improving the access of persons to employment naturally calls for a growing supply of jobs, because of the changes which may be expected in the size and composition of the labour force (higher rates of female activity, for example), and it also calls for jobs which are not only intrinsically productive but also of *growing* productivity, so that increases in income will have a real, permanent base and not a purely monetary and hence inflationary one.

As maintained in a number of recent studies, the net generation of employment is proportionately greater at the level of small and medium-sized enterprises, due partly to the competition strategies of the large enterprises, which are based more on productivity than on employment.

From this viewpoint, it is important to mention the study by Yoguel and Gatto prepared in ECLAC for the Federal Investments Council of Argentina. This study offers a most valuable discussion on the growing importance of small and medium-sized enterprises in the context of technological change and the crisis in production, which strongly supports the argument put forward here (Yoguel and Gatto, 1989).

Now, if the generation of employment in this stratum is to be accompanied by growing productivity, this presupposes the *systematic introduction of technical progress* in the activities and organization of these enterprises. As is well known, however, these enterprises have structural difficulties in gaining access to innovations, they very rarely have their own research and development departments, and they run into many barriers when they try to enter the international science and technology market.

Consequently, the modernization of this stratum of enterprises must be based on the existence of a *localized science and technology market* where an active and interactive innovative role is played by the universities and research centres located in the geographical space where these enterprises operate: that is to say, in the *region* or, in more general terms, at the local level.

However, the mere introduction of technical progress into small and medium-sized enterprises may not be successful unless there has been prior training of the staff to use the innovations.

Consequently, *human resources training* is another key point for correcting the situation of inequality.

An important consideration in this context is that the increase in employment generated in this stratum must be based above all on a systematic increase in the number of establishments, rather than in their size, since the latter option would ultimately lead these enterprises to adopt the same competition strategies as large enterprises. Thus, from the point of view of the application of practical policies, the question is how and where to eliminate the barriers which prevent or hinder the creation and consolidation of small and medium-sized enterprises, such as for example difficulties in gaining access to the capital market or in surviving in a "hostile" economic, social and territorial environment.

The linking of small and medium-sized enterprises, through subcontracting, to large enterprises which are applying long-term competition and trade strategies (and which are assuredly completely independent of the "good fortune" of their territory) is an alternative which should not be discounted when seeking to impart dynamism to this stratum.

As noted in an ECLAC study:

"Moreover, in the period under consideration there was notable growth of employment in small enterprises (that is to say, with less than 10 employees). According to a non-weighted average for seven countries, employment in this sector is estimated to have increased 23% more than that of employment as a whole... It may be assumed that this phenomenon was due, inter alia, to the need of large enterprises to maintain their competitiveness during the crisis: they therefore sought to reduce their labour costs (by freeing themselves, among other things, from their social commitments) by contracting from small enterprises part of the goods and services which they had previously produced in their own establishments" (ECLAC, 1991b, p. 29)

As may be noted, the equity-employment combination, from a normative point of view, is beginning to point the way to a *systemic* approach, with integrated and interactive treatment of the various aspects of the problem, which may be an important requisite for the effectiveness of the policies.

The question that arises here is, in the final analysis, whether all this can be achieved more

efficiently through the centralized handling of policies and instruments, or if some degree of territorial decentralization is needed.

As frequently noted, in the area of public local development policies (especially regional policies) Latin America may be accused of indiscriminately copying concepts and experiences originated and used in the North. At the present time, however, it would be a serious error to close our eyes to the new forms of regional action which are being tried out, particularly in Europe and especially with reference to employment, which is the main subject of this article. Consequently, the following references are worthy of note, at least as points to be borne in mind.

Some authors, in commenting on the emergence of a new industrial organization model, well represented in practice by the Italian regional experience, note that:

"This style of industrialization has far reaching cultural consequences. It does not seek to deal only with an economic problem that calls for greater decentralization and flexibility. It also seeks to meet the need that the form of economic organization adopted should reflect desires for cultural and local identity, humanization of working conditions, and reconciliation of the values of solidarity and cooperation with those of efficiency and productivity (Ffrench-Davis, Meller and Muñoz, 1990).

A lengthy and powerful argument in favour of the decentralized management of employment creation policies is given by Xavier Greffe. According to this author:

"Local initiatives in favour of increased employment are viewed with mistrust: how, it is asked, can they offer a solution at a time when the globalization of the economy highlights the importance of large-scale technological options and the necessity for coordination of short-term policies?

"This skeptical attitude leaves aside the new realities concerning employment and investment.

"Local development initiatives order the environment where activities arise and are carried on, so as to favour their continuation there and facilitate change. Their principles are clear: "solvency" of new needs, insertion and qualification, development of a positive attitude to entrepreneurial activities and to the idea of association, encouragement of services networks,

and appropriate use of the social economy. The measures extend from nurseries of enterprises to poles of technology, via schools of production, informatics workshops and local risk capital companies. They concern both urban and rural development.

"Why, then, should we be afraid of a form of *decentralization which represents the main lever for such initiatives?*" (Greffé, 1988 (our italics)).

The key issue, according to this same author, is that of *permanent innovation* in order to create new activities: a point of view which is also strongly maintained by Porter, in his well-known article on the competitive advantage of nations. Referring to what he calls the "diamond" of national advantage, he asserts that vigorous domestic competition stimulates the development of unique sets of specialized factors, *especially if the competitors are located in a single city or region*, while another effect of the systemic nature of the "diamond" is that a country is rarely the site of only one competitive industry: instead, the diamond produces an environment which promotes conglomerates of competitive industries. These are not scattered at random throughout the economy, but are generally connected through vertical (seller, buyer) or horizontal relations (clients, technologies and common channels). *Nor are the conglomerates physically scattered: they tend to be geographically concentrated*, since one competitive industry helps to create another, in a mutually strengthening process (Porter, 1990) (our italics).

At the practical level, DATAR (Délégation pour l'Aménagement du Territoire et de l'Action Régionale), a French body coming under the Ministry of Equipment, Housing, Physical Planning and Transport, has published a noteworthy guide for local economic action: a manual containing novel and practical guidelines for creating activities and employment at the local level on the assumption –it is worth noting– that the centralized management of employment policies in the present accumulation context is not efficient.

Mention should also be made –in the field of initiatives for creating local employment– of the original and successful experience of the LEDA

(Local Employment Development Action) programme of the European Economic Community, which is designed to promote local development both in backward rural areas of Europe and in declining industrial areas.

Under the title "Local development concerns human beings of flesh and blood", Morley (1990) describes the essence of the LEDA programme, asserting that the fundamental message in it is that human beings are important: not much can be done without money, but *nothing* can be done without human beings. Local development is not a technocratic activity for experts and specialists, but a political activity concerning the way we organize our lives and support the underprivileged groups in society. It is also a social activity, concerned with constructing strong and viable agricultural, industrial and services sectors. In all these processes, motivating, mobilizing, educating and training people is just as important as the corresponding material investments. The two most important matters are association and the development of capacities. "Association" means not only improving the vertical relations between local, regional, national and Community public authorities, important though these are, but also strengthening horizontal associations at the local and regional level by furthering cooperation among all those concerned, be they entrepreneurs, workers, local branches of national government departments, local administrations, or voluntary associations. "Development of capacities", for its part, means everything that can help to strengthen the capacity to participate in this process of association at the local level. There is a problem here, however: local capacity to organize and direct projects, to manage resources –especially financial resources– and guarantee high quality in the operation of such plans is as yet underdeveloped. The positive aspect here, however, is that the LEDA programme and other activities have shown that even though this capacity may be lacking, it can be developed through suitable support and training and these local weaknesses can be overcome by developing the strong points in the people involved and constructing local organizational structures (Morley, 1990).

See, in this respect, the examples given in Boxes 3 and 4.

Box 3

**"BLAZING THE TRAIL": ESTABLISHING SUITABLE CONDITIONS FOR THE
ESTABLISHMENT OF A REGIONAL TECHNOLOGICAL CIRCUIT
IN THE METAL PRODUCTS AND MACHINERY SECTOR**

As part of the development strategy for the Biobío region of Chile, various agents in the development of that region were interviewed. Thus, information was obtained from small and medium-scale entrepreneurs in the metal products and machinery sector on their concern for making progress in ways ranging from the provision of services to large enterprises to the manufacture of equipment for the lumber industry (the activity of greatest importance and dynamism in the region).

The enterprises studied have an average of 36 employees and operate in the fields of metal-casting, structural engineering, machine tools and hydraulic services. In the region, there are 50 similar workshops with an average of 30 workers each, while the small and medium-scale metal products and machinery sector in the region consists of 300 enterprises, of which less than 15 have over 40 employees.

Bearing in mind this relative specialization, the entrepreneurs propose to approach the development of production and technology on an associative basis, for which purpose they must overcome their limitations with regard to technical design and market information. There is an initiative aimed at bringing their concerns to the attention of two universities and coordinating the various actors involved in the formation of a regional technological circuit (CTR).^a

As a result of meetings held with the participation of entrepreneurs, academics, and national and regional government representatives –plus the talks held by entrepreneurs with one of the universities and with a public sector body– over a period of approximately one and a half months, the proposal of the entrepreneurs gradually began to take shape. It was proposed that a new enterprise should be established which would carry out the work of design, assembly (on the basis of purchases from the existing small and medium-scale firms), quality control and marketing. In coordination with the university, the product was defined as a set of machines for the processing of wood (manufacture of window frames), an area in which one university already has designs and patents.

Within the framework of the preparation of the strategy, work has been carried out on:

- i) The formation of the enterprise in question, which would be devoted in particular to transfer of technology and marketing; for this purpose, collaboration has been received from the regional public sector connected with the production sector and especially small and medium-scale industry;
- ii) The linking up of this idea with an international technical cooperation project which is expected to provide machinery and make available models for such machinery;
- iii) The organization of trips by entrepreneurs to explore markets and technologies, for which purpose support would be available from the recently created Regional Development Corporation and a public sector body specializing in export promotion;
- iv) The possibility of supplementing this idea with support in the field of management for the enterprises involved, the number of which has been increasing since the early stages of organization of this CTR.

At the same time, the following activities would have to be carried out:

- i) More precise definition of the market to be served, and communication with large and medium-sized enterprises and potential clients in order to generate mutual confidence;
- ii) Study of possible linkages with other universities for the study of materials, optimization of designs, quality control and training; and
- iii) Exploration of possible financing for the stages of preinvestment, design, testing of prototypes, etc.

The coordination process has been the responsibility of a regional public body responsible for providing support to small and medium-sized enterprises, with the collaboration of the regional planning body, thus confirming the role of the regional government in the generation, formulation and follow-up of these types of activities.

Source: ECLAC/ILPES/UNDP (1990): *La región de Biobío al encuentro del siglo XXI*, ECLAC/ILPES/UNDP Technical Cooperation Report, Concepción, 1990.

^a CTRs are defined as bodies bringing together entrepreneurs, universities and technological centres, organized around technical and entrepreneurial training programmes aimed at improving product design and quality and raising the levels of production, productivity and competitiveness.

Box 4

LOCAL CREATION OF EMPLOYMENT
MINAS GERAIS: Community Development Programme (PRODECOM)

Artisanal Carpet Production Project^a

Through the Social Action Programme for North Central Minas Gerais (ASCENOMIG), a project was initiated and established for the training of local craft workers to produce artisanal carpets. This project, which was supported by the CEAG/MG, is aimed at integrating into the labour market, in the short term, a substantial amount of labour which has no other opportunities in the Diamantina area (Valley of the Jequitinhonha). In a second stage, the craft workers trained by ASCENOMIG were grouped together in a cooperative (the Regional Craft Cooperative of Diamantina, CARDI), which was set up at the end of 1978 in order to consolidate and expand the activities envisaged in the initial project. In order to improve on the action already begun, a project was submitted to PRODECOM for the consolidation of all that had been done so far and an increase in the number of craft workers. The necessary resources were budgeted at 9 252 340 cruzeiros (approximately equal to US\$340 000) at September 1979 prices, of which the community, through the mobilization of various sectors and with its own counterpart resources, raised resources estimated at 5 892 387 cruzeiros. PRODECOM's share, amounting to 3 359 953 cruzeiros, represented nearly 36% of the necessary resources, while the community provided the remaining 64% as counterpart resources. This project is one of the most expensive of all those examined and approved up to the moment, and the financing provided by PRODECOM, which benefits 7 000 persons, is also one of the largest yet registered, amounting to 480 cruzeiros per beneficiary (around US\$18). The apparently high cost is justified (the other projects are concerned with public works and above all the provision of services) because in reality this is a project for the creation of employment in a poor region which is extremely short of capital, recognized as one of the biggest "poverty pockets" in the whole country. In other words, if the project is considered from the point of view of the investment per person employed, the ratio is extremely low.

Source: P. R. Haddad (1980): *Participação, justiça social e planejamento*. Rio de Janeiro, Zahar Editores.

^a *Tapetes arraiolos*, in the original Portuguese.

It is worth repeating that it is not a question of copying indiscriminately. The cost of lack of information or, even worse, of trying to "reinvent the wheel", however, can be socially very burdensome.

Another matter is that of *microenterprises*, a substratum of small and medium-sized enterprises which has received much less study and attention. In Argentina, the Federal Investments Council is trying out a programme of support for microenterprises (Box 5). It is interesting to note, apart from the figures given in the box, that only 12% of the total number of microprojects are located in the three most developed provinces (Buenos Aires, Córdoba and Santa Fe).

In order to conclude this brief discussion of "equity and decentralization" and the role of employment policies, it should be noted that Latin America has not yet internalized the central issue (which is crystal clear in other parts of the world), namely, that the development paradigm which is still in force is incapable today of satisfying the demand for jobs.

The ECLAC Social Development Division clearly recognizes this inability in the following statement:

"Since economic growth no longer seems to be having the same positive effect on the creation of new jobs as in past decades, it is estimated that productive employment will increase by less than 0.5% per year, while the labour force of the region will grow by an average of 2.8% per year. These facts lead to a clear and inescapable conclusion: that growth alone will not be sufficient to cope with the problem of employment unless profound changes are made in government policy" (ECLAC, 1987).

On the other hand, however, in the main current proposal by ECLAC –changing production patterns with equity– consideration of *one* of these "profound changes" is left aside: we refer to decentralization, which, as shown above, is now indissolubly linked with equity precisely through its importance for the creation of jobs.

Box 5

PROVINCIAL MICROENTERPRISES PROGRAMME (CFI/FFI)

In Argentina, a programme has been carried out for financing microprojects generated and located in the provinces and aimed at creating employment there. These projects have access to resources provided by the Federal Investments Fund (FFI) through Act S-47/90, and most of them are initially identified by the UEPs (Provincial Liaison Units) of each province, which are a decentralized branch of the Federal Investments Council (CFI). The municipalities and provincial sectoral bodies have only identified some 15% of the total number of projects put forward since the entry into effect of Act S-47/90. This is connected with the difficulties of "real decentralization, which must initially be necessarily based on procedures which merely involve deconcentration.

Some conclusions reached by the CFI with regard to the initial stage of the programme highlight the following features:

- i) the 263 projects evaluated have generated 1 044 new jobs;
- ii) the cost of each job amounts on average to US\$4 300 of total investment and US\$3 100 of financing from the FFI;
- iii) the types of goods or services produced are predominantly (84%) for final consumption;
- iv) some 81% of the sales of the products go to local and regional markets;
- v) in nearly 60% of the projects, the raw materials are locally supplied, and in almost all of them (93%) the technology used is traditional;
- vi) almost half the projects are located in provincial capitals, and only one-fifth of them are in rural areas, which suggests that deconcentration must not be confused with full dissemination, contrary to basic economic principles.

Average employment generated and credit requested, by provinces

Province	Employment generated per project ^a (1)	Credit requested per project ^b (US\$) (2)	Cost of generating employment (2:1) (3)
Buenos Aires	4.0	11 864	2 966
Catamarca	7.8	8 572	1 099
Córdoba	1.6	3 995	2 497
Chaco	7.1	12 654	1 782
Chubut	3.7	12 594	3 404
Entre Ríos	2.9	6 237	2 151
Formosa	4.0	6 362	1 590
Jujuy	5.7	13 375	2 346
La Pampa	3.0	13 900	4 633
La Rioja	4.6	13 202	2 870
Mendoza	...	12 997	...
Misiones	3.5	9 379	2 680
Neuquén ^c	2.3	13 857	6 025
Río Negro	3.5	11 812	3 375
Salta	3.9	8 220	2 108
San Juan	3.8	4 162	1 095
San Luis	1.5	8 827	5 885
Santa Cruz	4.1	11 104	2 700
Santa Fe	6.2	13 130	2 118
Santiago del Estero	6.5	9 728	1 497
Tierra del Fuego	6.0	14 180	2 363
Tucumán	3.0	16 078	5 359
Average	4.0	9 717	2 429

Source: Federal Investments Council, Projects Department, Project Formulation and Evaluation Unit, Buenos Aires, 1991.

^a Information corresponding to 271 projects covered by the survey.

^b Information corresponding to 299 projects covered up to 15 April 1991.

^c Four projects are still to be studied.

III

The territory: a synthetic and systemic linking space in the chain of changing production patterns with equity and sustainability

Changing production patterns with equity and sustainability is a process of a systemic nature, as we are constantly reminded in the two basic ECLAC documents referred to. In other words, each of the concepts involved in this proposal, which we have called *foundational* in this article, is related to the other ones so that they form a mesh or network with a high degree of feedback and synergy. For the moment, the intention to adopt an *integrative approach* is clearer than the fact of forming a system which really works, which is still to be attempted.

Beyond a necessary normative voluntarism, however, what can the systemic nature really be expected to contribute to the ECLAC proposal?

ECLAC develops in greater depth the argument aimed at demonstrating the systemic nature of *changing production patterns* when it emphasizes that:

i) ... "The generation and adoption of technical progress as well as increasing competitiveness are *systemic processes* in the sense that an economy's technological performance depends to a much greater degree on the presence of a whole series of differing types of synergies and externalities than it does on the optimization efforts of individual firms in response to changes in the price system"

ii) ... "the systemic character of technical progress and competitiveness has to do with the *conditions under which interaction takes place between the originators of technological innovations and users ...*" (ECLAC, 1990a, p. 71).

With regard to equity, however –it must be noted– less conclusive results are reached with regard to the systemic structure of the proposal as a whole (ECLAC, 1990a, pp. 77 *et seq.*). Nowhere in those pages are such explicit arguments as the foregoing put forward; instead, using a basic argument developed in previous studies, the systemic nature of the *technical progress-equity combination* is asserted. In the first place, however, equity is not strictly speaking a necessary condition for competitiveness in absolute terms (otherwise, there could not be any such thing as "spurious competitiveness",

although it is such a necessary condition for the authentic competitiveness proposed by ECLAC; and secondly, the *feedback* (between competitiveness and equity) is not a *sufficient* condition to make the process systemic. Feedback is of fundamental importance in cybernetics, and it is essential in control processes (control or amplification of deviation), but it takes account of only a single functional element within the whole idea of a system. It may be noted, in this connection, that interest is concentrated on control as "amplification of deviation", that is to say, in the system advocated by ECLAC the underlying idea is one of *progress* and qualitative change.

If competitiveness and equity made up a binary system, *feedback* would be a simple *circulatory* relationship, whereas if it is sought to show that these two elements are integral parts of a *complex* system, then according to Ashby they must be considered as such, and no attempt should be made to identify independent feedback circuits in them. Feedback and control are associated with the imposition of certain restrictions, and therefore, when seeking to explain these processes, at least two levels of rank must be taken into consideration. This therefore gives rise to the question of what the relative rankings of competitiveness and equity are.

It would appear that the conditions which permit a given set of elements to be described as systemic are first of all their organized or unorganized *complexity* (variety, levels of rank and non-linear linkages) and secondly, the *state* towards which this structure tends, that is to say, equilibrium with maximization of entropy in closed systems, or the maintenance, preservation or modification of the system itself with high levels of synergy in some non-dissipative open systems. These states depend on the manner of setting out and managing the *flow systems*, which determines the complexity of a structure, since every system is a flow system (of information, energy or matter). In other words, we are speaking here of the *functional* aspects of the system. The concept of *autopoiesis* formulated by Maturana (Maturana and Varela, 1984) is, it is true, a valid definitional

characteristic of living systems, but it is not so clear when it is applied to social systems.

With regard to the third foundational concept –that of *sustainability*– its contribution to the systemic nature of the ECLAC proposal is even less clear, because the mere addition of elements to a whole does not necessarily transform this into a system; the comments made previously about feedback are pertinent here also.

In one of the basic ECLAC documents, there is a paragraph which perhaps contains the key for turning this aggregation of concepts into a systemic structure:

“... On the other hand, when major changes in technology are occurring rapidly, the need for *geographical* and cultural proximity becomes more important. In such cases, the possibility of direct contact and a common cultural context can be of decisive importance for information exchange” (our italics) (ECLAC, 1990a, pp. 71-73).

Despite the general validity of this assertion, it must also be borne in mind that we are witnessing the rapid development of systems of production based on the use of a type of information which reduces spatial friction to zero.

Can the *territory* perhaps be a reference, container or cross-section capable of generating a systemic structure of which changing production patterns (or competitiveness), equity and sustainability are *integral parts*?

The territory can indeed be considered as the first of the structural elements in this system. Its *limits*, which define its borders and its separation as a function of the intensity of its relationship with other systems (the outside world), determine its character of a *container*, which maximizes the functional elements (flows, controls, lags and feedback). The territory intersects with the structural and functional elements and makes possible systemic configuration of changing production patterns with equity and sustainability. Moreover, as ECLAC rightly suggests, it incorporates an identity factor, which is important because what is involved is the operation of a social and not a mechanical system. Its identity is probably in inverse relationship to its “size”, in the light of the internationalization and transnationalization of present-day society.

It is worth repeating something already commented upon, namely, that the exponential innovation typical of the world of today –a requisite for non-spurious competitiveness– seems to be associated with the formation of *synergic agglomerates*, that is to say, systemic structures (and hence structures with a high degree of feedback and complexity) made up of numerous social agents: enterprises, science and technology centres, universities, associations (business associations, trade unions and others) and the *government* (in some of its multiple functions and levels of operation).

These agglomerates do not arise by chance or by spontaneous generation, although such possibilities must not be completely ruled out. Instead, they are built up by virtue of the inductive and catalytic role exercised during a certain length of time by one or more of the agents mentioned earlier. In this respect, the government is seen to be in a privileged position because of its normative capacity, its capacity to manage information, its control over certain material resources, and other reasons such as the use of its legitimacy to create consensus. The government's position is therefore a dual one: it is both a bureaucratic apparatus and a political arena.

It has also been maintained that these synergic agglomerates (whose origin goes back conceptually to Marshall's industrial districts) have an *affinity with particular territories*: they do not spring up at random in the national space. This affinity is connected with the need to be located in an environment which already has skilled labour, infrastructure, entrepreneurial spirit, a culture favouring innovation, etc. Other agglomerates, however, do not have such a clear affinity of this type.

Such territories, which in the sense of their historical development may be considered as initially *natural*, subsequently *equipped*, and finally *organized*, that is to say, structured and interactive, are precisely what we mean by *regions* (using this term in a broad sense).

Thus, in the final analysis and in a figurative sense, the question boils down to a system of two equations: the agents and activities which will subsequently make up a systemic structure, and the territories and agents which can serve as a basis for this. The solution of this system gives a “value” to the dependent variable represented by *local government* (using this term in the broad

sense of territorial government) and its capacity to play a catalytic role in the territory under its jurisdiction or within its area of control. This role can only be played to the full, however, *in the context of decentralized decision-making power*, which makes it possible to have the capacity, resources and potential to generate concertation strategies.

Where do equity and sustainability come in all this, then?

Apart from the technical considerations, which are clearly set forth in the ECLAC documents, especially where they put forward the concept of "authentic competitiveness", it is necessary to reaffirm the *ethical dimension* which is implicit in the development proposal, and which is all the more perceptible the smaller, more representative or more workaday is the space in which people live and work. Who can maintain that a situation of overall national equity has an exact counterpart at any subnational level? The situation described in connection with income distribution could probably be repeated in this respect.

If changing production patterns, as a process, must be extended specifically to sub-national spaces (regions, provinces, municipalities), it must be agreed that the (regional) economic growth deriving

from it must be placed above all at the service of human beings (through equity) and also that these changes must be secured by ensuring that the territory (the region) and its resources must always be at the service of human beings (through sustainability).

The foregoing considerations bring the discussion, but especially the *idée-force*, to an area which is mainly, but not exclusively, concerned with regional (subnational) development: a question which is outside the scope of these comments and regarding which there is an increasingly obvious need to overcome the limitations of cartesian analysis in order to apply synthetic methods which can explain the systemic complexity of the regional unit.

In conclusion, it should be noted that the suggestion which we have tried to express more clearly in this article is that adequate consideration of *territoriality* and the necessary *decentralization* can help to make the systemic conception of the ECLAC proposal more operational, by facilitating its transfer from the abstract space of ideas to the concrete space of policies.

Consequently, it may be said that decentralization can help to improve a situation of inequality if government is decentralized and suitable incentives are provided to encourage the non-State sector to generate employment.

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