

# CEPAL

## Review

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## *Comments by Marshall Wolfe\**

The following comments centre on certain important political and social propositions in Dr. Prebisch's critique of peripheral capitalism, leaving to those better qualified the discussion of his economic explanations. Restated in simplified terms these propositions are:

1. The distribution of wealth and incomes in peripheral societies derives not from market forces but from the initial distribution of power. Peripheral capitalist development enables the powerful few to continue to concentrate the lion's share of its fruits in their own hands;

2. The distribution of power also determines the distribution of opportunities to acquire the formal qualifications or 'training' for entering into the managerial, technical and bureaucratic positions required by the style of development. Once the rate of expansion of the resulting 'intermediate strata' exceeds the expansion of real demand for their services, the share of power that determined the acquisition of qualifications also requires the 'spurious absorption' of the possessors into favoured areas of employment. At lower levels of skills and incomes within the activities generated by development similar processes are at work. The distribution of power and the sluggish labour-absorptive capacity of these activities guarantee that the initially poor and weak will remain excluded;

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3. The distribution of power and of incomes generates the 'consumer society' in its present concentrated, wasteful, and imitative form. It also influences the patterns of introduction of technologies and the failure to generate technologies better adapted to the conditions of the peripheral countries;

4. The consumer society for stratified minorities is incompatible with achievement of a sufficient rate of accumulation to permit eventual absorption of the marginalized masses into productive, well-paid employment;

5. While peripheral capitalist development permits broadening of the minorities able to participate in the consumer society, and indeed needs this for its own functioning, it cannot do so beyond a certain point, owing to insufficient dynamism and the insatiable appetites of the groups already participating. To the extent that the excluded groups, now condemned to 'infraconsumption', gain in ability to use organization and democratic political processes to force an entry, either inflation accelerates, or the power-holders replace formal democracy by the use of force, or both;

6. Peripheral capitalism is imitative rather than innovative in the manner of central capitalism, divorced from societal needs and resource endowments, incapable of overcoming its internal contradictions except through repression. Its evolution under the hegemony of the world centres stunts the development of the

entrepreneurial class and discourages it from struggling against these shortcomings.

These propositions, from the way they are stated, clearly have a normative purpose. They point to trends that are self-evidently unacceptable, whether in terms of democratic values, of human welfare, of national autonomy, or of progress toward self-sustaining economic growth. It follows that men of good will must diligently seek means of changing them. Certain questions then come to the fore: If the diagnosis is correct in the central role it gives to power, where can one identify plausible agents of transformation? If transformation is feasible, how profound and traumatic need it be? In other terms, to whom is the study addressed and what does it expect the addressees to do? Can the ills be overcome through reforms in the prevailing style of development, or do ills so great call for an entirely different *system*?<sup>1</sup> Evidently Dr. Prebisch's long experience has left him very much aware of the complexity of these issues, the dangers of over-simplified superficially radical prescriptions, and the probability that the future has surprises in store for us. Thus he limits himself to a few discreet hints on what can be done and by whom.

However, the increasingly disturbing evidence that peripheral capitalist development has led the Latin American national societies into a trap from which

they will be able to emerge only at very high social costs of one kind or another, pushes one on to the dangerous ground of thinking about alternative agents to whom a study posing a radical challenge to the prevailing style of development can be addressed.

The arguments might be addressed to the *present power-holders* within the peripheral capitalist societies, but why should they be persuaded by arguments against a system that works in their favour? Two lines of persuasion have been current since the 1950s or earlier: (a) that the prevailing style of development is incompatible with professed democratic and human welfare values; (b) that it will not be viable over the long term, so that the power-holders must reform it in the interest of their own survival. However, the spokesmen of the power-holders obviously have no difficulty in reinterpreting democratic values to justify whatever tactics they find necessary, and they are obviously not convinced by the second line of reasoning; they can argue in return that the main threat to viability of the style is governmental reformist interference with its logic. In other terms, the tactic dictated by their own perceived interest is that of "changing just enough so that nothing will change". During recent years, entrepreneurial groups have emerged in most countries that identify aggressively with the prevailing style, consider its impact on the poor mainly a problem for the police, and justify their ideology by the unsatisfactory performance of reformist and populist régimes in Latin America and elsewhere.

The *intermediate strata* that have a lesser and possibly illusory share in power are hardly more open to arguments on the need for transformation of the style of development, except to the extent

<sup>1</sup> Reforms in style would presumably retain central features of capitalism, whether or not accepting the label, with better planned and more decisive state intervention to redress the internal and external balance of power. The articles by J. Graciarena and A. Pinto in the same issue of the *CEPAL Review* discuss the distinction between *style* and *system*.

that they interpret the transformation as a means of enhancing their own relative position. At this level reactions can be expected to be more contradictory and ambivalent than at the level of the major power-holders, in view of the shocks that present crises are dealing parts of the intermediate strata and the increasing strain on the capacity of the system to meet their expectations through privileged education and 'spurious absorption', but their main reaction is defensive against any threat of a narrowing of the gap between them and the excluded masses.

Again, the arguments might be addressed to the *technobureaucracies* that have been gaining in experience and self-confidence; within the CEPAL tradition of training of economic planners this is the most accessible kind of agent. Conceivably part of the state apparatus, convinced of the need for transformation, might act autonomously, consolidating power and using it to redistribute income, curb the consumer society, and raise the rate of accumulation. However, experiences of this kind up to the present hardly justify confidence; technobureaucracies, whether military or civilian, commonly exaggerate their own understanding of the societies on which they try to act and their power over them. If they alienate the power-holding élite or the intermediate strata, the consequences are likely to be more than they can handle; they cannot afford to mobilize the masses, however much they may talk of popular participation; and without such mobilization the constraints imposed by the world centres linked to the domestic power-holders sooner or later bring them to an impasse. Moreover, an increasing proportion of the technobureaucrats seem to be ideologically identified with the entrepreneurs mentioned above.

Then, too, the arguments might be addressed to *actual or potential power-holders* in the central countries. This way out becomes tempting, in spite of a certain incongruity with the objective of enhancing national autonomy, if one concludes that the power-holders in the periphery will neither be displaced nor mend their ways in the absence of a shift in the patterns of dependency and the external stimuli continually strengthening the consumer society. It becomes more tempting in so far as one questions the supposition that the centres have coherent 'imperialist' policies toward the periphery. If, as a good many social scientists in the centres now argue, central policies toward the periphery really represent an internally contradictory aggregate of 'bureaucratic politics' of public agencies pursuing their own purposes in alliance with different clientèles and pressure groups, and if the most influential counterattacks on the excesses of the consumer society and the concentration of economic power are now visible in the centres, it should be possible to find allies there to redress the balance of power in the periphery. It is well known that the dominant forces in some of the smaller central countries now advocate for the Third World styles of development quite similar to those implied by Dr. Prebisch's critique of peripheral capitalism, an advocacy that leaves them with few deserving candidates for assistance. In a more restrained way, the heads of international financing agencies are now urging similar changes in priorities in the Third World. The United States is likely to become more open to a reformist approach of this kind than it has been since the early 1960s. These shifts in attitudes in the centres leave most of the Latin American countries seeking external aid in a trebly

vulnerable position, because of their levels of per capita income well above the Third World average, because of the notoriously uneven distribution of incomes and consumption, and because of the power-holders' reliance on repression to protect the distribution of income and the sources of dynamism of the prevailing style. In one way or another, external evaluations of the prevailing style of development have to be taken into account in the calculations of the peripheral power-holders. The changing nature, real objectives and capabilities of the interlocutors in centre and periphery deserve careful study to enable the quest for alternative styles of development to go beyond the ritual proliferation of 'world plans of action' and 'new economic orders'. The experience of the Alliance for Progress demonstrates the precariousness and ambiguity of reform policies advanced by the centre, partly under the influence of reformers of the periphery, and formally accepted by national power-holders as a condition for external aid.

Lastly, the arguments might be addressed to *counter-élites* aspiring to mobilize the social classes exploited or excluded within the peripheral capitalist style of development and to take power in their name. (It can be assumed that the marginalized masses themselves will not be readers of the *CEPAL Review*.) Such counter-élites have been on the stage for some time, and would readily accept the causative relationship between power, income distribution, the consumer society, and insufficient accumulation. However, they would not and probably could not limit their remedies to the construction of capitalism with a human face. The study touches very lightly on the fact that an important part of the political leadership of the lower

and middle strata has rejected the peripheral capitalist rules of the game and feels no responsibility for making anything like the prevailing style of development work better. In other terms, they opt for a change of system. These political currents have not, except in Cuba, been strong enough to impose an alternative system, and as Dr. Prebisch hints in his last paragraph their ideas of how to get power and what to do with it are not as clear as they might be. At the least, they are strong enough for their rejection of the prevailing style to make the distributive struggle more intransigent.

In the end they face much the same problem as does Dr. Prebisch: How can an unacceptable and possibly non-viable economic-social-political system be transformed in the face of large minorities, constituting the most articulate and organized strata of the population, that are intransigently unwilling to give up the advantages they now enjoy or hope to enjoy; a transformation that would have to be carried out by other minorities, themselves deeply divided over strategies and values, with the support of disadvantaged masses having a weak capacity for disciplined action? The admiration for the Chinese model shown both by the moderate critics of the peripheral-capitalist consumer society and by its anti-capitalist enemies is symptomatic of their tactical difficulty. If one could only start with a frugal, hardworking, innovative, egalitarian population innocent of aspirations for automobiles, television, and vacations abroad, confronting a handful of oppressors!

The question of power thus leads to the question of values. If any conceivable social agents set out to transform the structure of power that determines

the distribution of incomes, will they be able simultaneously to inculcate values that are compatible with a relatively egalitarian and austere standard of consumption and a higher rate of accumulation? It is just as hard to imagine the masses now excluded, once they have a taste of power, voluntarily moderating their demands to the planners' judgment of what can be afforded. It is even hard to imagine the technobureaucracies or counter-élites setting an example of austerity and efficiency in the use of public resources, without which their exhortation to other elements in the society will carry little weight. The fate of national attempts to modify the prevailing style of development while "democratizing" the consumer society is too well known to require further comment. The point made by Aníbal Pinto in his "Notes on styles of development in Latin America", that the masses in any kind of country would vote for the consumer society if given the choice, and that its condemnation is limited to certain intellectual minorities, is quite valid, but does not negate the probability that the masses would be voting for a paradise that can be real only as long as they are excluded from it.

At present, the life-styles of all strata of the societies in the periphery as well as the centre, with the probable exception of very small élite minorities, are undergoing shocks that may well become even more frequent and intense in the future. Large intermediate strata are unable to maintain their previous levels of consumption, and the practicability of their aspirations for their own and their children's future comes under question. The shocks might be educational, but who is to teach the lesson? One might envisage a gradual change in values centering in the youth, stimulated by

societal crises but channelled by innovative forms of education and the generation of alternatives more attractive than the consumer society, but who is to transform the education and offer the alternatives? Some recent experiences indicate that within stratified and competitive societies proposals to change educational content and objectives in the direction of contributions to productivity, social equality and service to the underprivileged strata of the society excite more unmanageable resistance than do policies freezing the quantity of 'training' for the higher posts and tightening the selectivity of admission to such training.

In certain cases, a radically different style or system of development can be facilitated through export of the more recalcitrant parts of the intermediate strata to more congenial climes, at the price of appreciable short-term losses in professional and technical manpower, as in the case of Cuba; but the size of the intermediate strata in the larger Latin American countries makes this 'solution' improbable. For the most part, the beneficiaries of the consumer society are in a better position to expel its critics. The future of the consumer society in Latin America seems permanently precarious and also repellent in its beneficiaries' complacent acceptance of the price in terms of poverty, powerlessness and repression for others. However, one cannot altogether blame these beneficiaries for believing that, for them, any remedy will be worse than the disease, and that for the rest of the society the gains will be problematic.

In conclusion, it seems worth while to touch hesitantly on one central economic proposition in the "Critique of peripheral capitalism". This study, like previous works of Dr. Prebisch, contin-



ually emphasizes the need for achievement of higher *rates* of capital accumulation. The negative evaluation of the consumer society and the pattern of industrialization that has shaped it and been shaped by it in a process of circular causation suggests that just as much emphasis should be placed on the *kind* of accumulation. Accumulation of what for what? If it is true that a high proportion of present capital accumulation simply helps to consolidate the consumer society and strengthen the case for its irreversible perpetuation (e.g., urban construction of luxury housing and office buildings; automobile manufacture and its linkages to highways, urban land occupation and infrastructure, maintenance and fuel supply networks), does it not follow that the

aggregate rate of accumulation contains components that are irrelevant and components that are negative as well as components that are positive from the standpoint of eventual achievement of adequate livelihoods and meaningful activities for the whole population? If one really judges that the present consumer society is permanently inaccessible to the masses of the population and maintainable only at their expense, does it not follow that rates of accumulation as now calculated cannot legitimately be presented as objectives? In this area, a non-economist quickly gets out of his depth, but it would seem that a systematic demystification of accumulation rates and economic growth rates may be needed as a component of the critique of peripheral capitalism and its version of the consumer society.