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The originality
of a copy:
CEPAL and
the idea of
development

Fernando H. Cardoso *

Towards the end of the 1940s and in the early 1950s, CEPAL prepared certain documents which had far-reaching repercussions on Latin American thinking about development. The present article outlines the central ideas expressed and relates them to other doctrinaire and academic positions which have also found echoes in the region during recent decades. For example, it presents the conventional ideas on international trade and development which CEPAL's 'thinking' combated from the very start: the critical reactions aroused by this thinking among liberals and marxists; the alternative theories formulated by 'orthodox' writers (such as G. Haberler and J. Viner), 'heterodox' liberals (G. Myrdal, R. Nurkse, A. Hirschman) and marxists (such as P. Baran). It also describes how CEPAL's ideas modelled development policies and adapted themselves to new situations. Lastly, it analyses the relation between the 'CEPAL' current of thought and others even more recent: those relating to the 'malignant' style of development, structural dependency and 'another development'. The author concludes that while CEPAL thinking has undergone a change on coming into contact with new situations and theories, it still keeps its basic nucleus alive and valid.

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Introduction*

Among the critics of culture in Latin America an intermittent, but not uninteresting, debate is going on about the effects of dependency on the production of ideas. Some of the most acute of the theorists writing on Brazilian literature (such as Antônio Cândido de Mello e Souza and Roberto Schwarz¹) have been attempting to show how the *same* idea, once transferred from the centres of the international production of culture to the periphery, becomes a different thing. Perhaps the classic example of this — as pointed out by another historian of ideas, Professor João Cruz Costa² — is the transfer of Auguste Comte's positivism to Latin America. The markedly conservative connotation attached to positivism in nineteenth-century Europe (as attested by the sublime contempt with which this school of thought always treated, for example, the Marxist conception of the class struggle) underwent considerable modification in Latin America. This inhospitable habitat — bestrewn with social and cultural relations produced by ways of life which, even when harnessed to the dynamics of

*This paper would not have been written without the help of José Serra, who gave me advice on the selection of texts and carried out the research on bibliography which was indispensable to substantiate the analysis, besides suggesting lines of approach for the interpretation. I am also grateful to Winston Faitsch for his criticism and help.

¹ The most important work by A.C. Mello e Souza is *Formação da Literatura Brasileira*, São Paulo, Livraria Martins, 1959, 2 volumes. The writings of another leading specialist in the sociology of ideas, Roberto Schwarz, include "As idéias fora do lugar" ("Ideas out of place"), in *Estudos*, Nº 3, São Paulo, CEBRAP, January 1973.

² João Cruz Costa, *Contribuição a História das idéias no Brasil*, Rio de Janeiro, Livraria

international capitalist expansion, offered resistance to the increasing rationalization of society and the economy—engendered a rather engaging distortion of positivism. It was turned into a paladin of the idea of progress. The difference in cultural habitat, however, could not kill the other root idea of positivist political philosophy, that of order. But at least its zeal for uniformity was mitigated by the change of environment, thanks to the constitutional diversity and disorder bred in the region by the miscegenation of modes of production stemming from conflicting basic principles; and positivism thus became a reformist rather than a reactionary ideology. The “scientific politicians” were partisans of the republic against the monarchy in Brazil; and it was they who trumpeted in the inspired (if not enlightened) Mexico of Don Porfirio —gravedigger (even if a temporary one) of the *ancien régime* and, willy-nilly, forerunner of the Mexican Revolution.

In this context, Roberto Schwarz has had some penetrating things to say about what happens to imported ideas in the process of their consumption. Taking as an example one of the best (if not the very finest) of all Brazilian novelists, Machado de Assis, Schwarz critically appraises the process of cultural absorption of European thought by the ‘natives’. The liberalism they adopted, for example, came into conflict with slavery, an institution which was utterly anti-liberal, but was nevertheless one of the pillars of contemporary Brazilian society. Subtly, Machado de Assis infuses an implicit criticism of this state of affairs into his novels, which unfold in a world of fantasy. To define this type

José Olympio Editora, 1956, esp. chapters 3 and 4.

of ‘perverted acculturation’ of ideas, Roberto Schwarz proposes what has become known as the ‘ideas out of place’ approach, a sort of cultural ecology, concerned with the effects of transplantation from one habitat to another on the delicate shoots of ideology.

This approach has, of course, provoked reactions. There has been no lack of ‘purists’ and ‘precisions’ to criticize the idea of ‘cultural transplantation’ on the grounds that it lends itself to mechanisticism and that the analogy between the social and the natural world is unsound. In the former, structural relations themselves are established and re-established by human practice, so that in the process of re-creation they always become, in one way or another, *autochthonous*. For the purposes of the present paper there is no point in pursuing this discussion in greater depth, especially as among minds trained in *jeux d’esprit* it is always understood that the theses propounded are meant to be taken with a pinch of salt.

Be this as it may, I should like to emphasize here that what we are going to try to discuss now is the exact opposite of the theme usually recurrent in the history of Latin American ideas: we are going to discuss *ideas in their place*. ‘Talking pays no toll’, or, as a popular Brazilian saying has it, hardy words are like holy water; you can help yourself to as much as you like. Even so, it is safe to assert that at least some ideas about economic development did originate in Latin America.

In case this jacobinic and somewhat narcissistic tone should create the impression that such bragging is a mere mask for the apprehension aroused by the admonition to the authors of papers (“new summaries of known positions and rearming of old ideas are worth

nothing”), let me state at the outset that I shall also take care to show that even the most original Latin American thinking on economic development has its roots outside the continent. I shall not, however, take ideas on development as mere ‘reflections’ of the brilliant sunlight of western thought. In the field of

ideas it often happens that what is new is precisely the ‘re-warming’.. provided that a little seasoning is added to the water which is used to prevent the old ideas from being dried up to nothing in the process.

Were this denied, it would be very hard not to bow to the ancient dictum: There is nothing new under the sun.

I

CEPAL and developmentalism

(a) *Current ideas on international trade and development*

During the nineteen-fifties the Economic Commission for Latin America (CEPAL) became a channel for the diffusion of a whole set of theses concerning the causes and conditions of development and the obstacles in its way, thus stamping a sort of hallmark on Latin American thinking in the realm of economics.

A first step towards showing what was new in CEPAL’s formulations, however, must be to summarize the conceptions which had prevailed until then with respect to international trade and its role in economic growth.

The justification of diversity and specialization in production at the world level was grounded on certain assumptions.

The point of departure for the theory of international trade is the ‘law of comparative advantages’ formulated by Ricardo. To put it simply, Ricardo says that international trade will lead to specialization in production by countries according to the relatively lower costs of labour, and that this will result in gains for all countries. Thus, to quote his

classic example, the unit cost of labour for production of wines and textiles is lower in Portugal than in the United Kingdom; but the comparative advantage in labour costs is greater for wines than for textiles, and, consequently, it would be more to the advantage of both countries for Portugal to produce wine and the United Kingdom textiles.

Subsequently, the neoclassical economists repudiated Ricardo’s theory of value based on labour costs. In the context of international trade theory, they asserted that comparative costs would not be confined to those of labour. Other factor costs—those of capital, and of natural resources—also entered into the calculation of inter-country comparative advantages. Thus reformulated, the neoclassical theories on international trade maintained the Ricardian law of ‘comparative advantages’.

It is perhaps Bertil Ohlin who gives the fullest version of the pure neoclassical theory of international trade. He attempts to account for trade gains and to analyse, at the same time, the effect of international trade on the remuneration of the factors of production. As a corollary to Ohlin’s theories on the

specialization of production and the utilization of the factors of production in accordance with the resources at a country's disposal, it can be inferred that trade is likely to make for *relative* inter-country equalization of the remuneration of the factors of production.³

For obvious reasons, the foregoing version of international trade theory gave rise to world-wide discussion; it made trade into an appropriate instrument for reducing the inequalities between nations. The debate was not set afoot by Ohlin alone, since his hypothesis enlarged upon other formulations, especially Heckscher's studies on the subject.⁴ Since then other questions have been raised: Would the assumed equalization of factor remuneration produced by world trade be relative or absolute? Would it be complete (i.e., implying total elimination of differences between national economies) or partial?

Ohlin accepted only a trend towards *relative* equalization of remuneration of factors, inasmuch as *complete* equalization would presuppose total factor mobility. This latter hypothesis cannot be adopted by pure international trade theory, since it implies the homogenization of the economic space, and thereby does away with the essential reason for international trade: specialization in production.⁵

³ See Bertil Ohlin, *Interregional and International Trade*, Cambridge, Harvard University Press, 1933.

⁴ Ohlin's book elaborates upon Heckscher's theory and gives it greater consistency. See Eli Heckscher, "The effects of foreign trade on the distribution of income", in American Economic Association, *Readings in the Theory of International Trade*, Philadelphia, 1949.

⁵ See Ohlin, *op. cit.*, especially p. 39, subsection 3, "The gain from international trade".

It was primarily Samuelson who carried the neoclassical theory of international trade to extremes. On the basis of formal mathematical reasoning he demonstrated that if a set of hypotheses on international trade were maintained, the result would be *complete and absolute* equalization of the remuneration of factors.⁶ The ideological implications of this formal demonstration are noteworthy: acceptance of Samuelson's reasoning would mean that international trade could be said to resolve economic disparities between nations (underdevelopment would be reduced *by means of* world specialization in production).

In later articles, Samuelson no longer maintained the ultimate implications of his hypotheses. His initial argument was kept up, however, by the most ardent partisans of 'comparative advantages' and of free trade as the panacea for remedying inter-country disparities in respect of factors of production and availabilities of resources.

Unfortunately for the defenders of this extreme version of pure international trade theory, some of the assumptions in Samuelson's model are intrinsically fallacious. Gottfried Haberler, champion of free market mechanisms, pointed out that Samuelson included, among the conditions for the validity of his theory, certain unrealistic assumptions, such as homogeneity of production functions in all the countries trading with one another (similar levels of technological know-how, of skills, of climatic, physical and social conditions, etc.), whose non-existence is the very first question arising in the context of inter-country disparities.

⁶ See Paul Samuelson, "International trade and the equalization of factor prices", in *Economic Journal*, June 1948, particularly p. 67.

According to Haberler, therefore, we must come to the conclusion that the Lerner-Samuelson theory, although formally correct, is based on limitations and assumptions so remote from reality that it can hardly be considered a valuable contribution to economic theory.⁷

In short, acceptance of a trend towards absolute equalization of factor remuneration through international trade is not a product of the Ricardian theory of trade. It came into vogue after Samuelson's more extreme (and weaker) assumptions on international trade had gained wide currency in certain academic circles.

Economists of the marxist school also believed in the positive effects of international trade on the expansion of capitalism to the periphery. They amended the Ricardian view, later accepted by the marginalists and neoclassicists, placing emphasis on the actual mechanism of the expansion of capital and of the production system rather than merely on international trade.

In point of fact, marxist theory took full factor mobility at the world level for granted. Marx did not make theoretical analyses of 'underdevelopment', a concept which anyhow did not exist in his time. When he referred to India, in certain passages of his newspaper articles,⁸ he expressed his confidence that the expansion of capital would bring

development to the periphery. Rosa Luxemburgo, more than a half-century later, was still asserting the inevitability of capitalist expansion on a world scale and the consequent industrialization of the countries that formed the 'rearguard of capital'. Hilferding – a contemporary of Rosa – held that differential interest rates would also lead to the export of capital to the periphery, although he could see difficulties in the way of the generalization of wage labour as the basic form of relationship in economic exploitation. Bukharin and Lenin were no exception to the rule: the export of capital was a condition inherent in imperialist expansion.⁹

Nevertheless, by 1920 Lenin had already adopted a different position: "The progressive effects of capitalism, on the contrary, are not to be seen there (in the colonies), despite the infiltration of foreign capital. When the dominant imperialist power needs social support in the colonies, it joins forces, first and foremost, with the ruling classes of the old precapitalist system – the feudal-type landlords, the commercial and money-lending bourgeoisie – against the masses".¹⁰

(b) *CEPAL's ideas*

What were the key ideas on development put forward by CEPAL? (and why did they create such an uproar?)

⁷See Gottfried Haberler, "A survey of the international trade theory", revised and expanded edition, *Special Papers in International Economics*, N° 1, Princeton University, 1961. Haberler refers to A. Lerner, because of his contribution on similar general lines (see A. Lerner, "Factor prices and international trade", in *Económica*, February 1952).

⁸See Marx and Engels, *On Colonialism*, Moscow, Foreign Languages Publishing House, no date.

⁹See Paul Singer, "A divisão internacional do trabalho e empresas multinacionais", CEBRAP (mimeographed text), 1976. For brevity's sake, I have omitted quotations from this essay, pp. 6-11. Singer's study places the thinking of these authors in its proper historical perspective.

¹⁰Lenin, 1920 thesis, in *La Guerra y la Humanidad*, Mexico City, Ediciones Frente Cultural, 1939, as quoted by P. Singer, *op. cit.*, p. 12 (unofficial English translation).

The most important CEPAL study on the relations between centre and periphery, and, therefore, on development and underdevelopment, is the *Economic Survey of Latin America 1949*, published by the United Nations in 1951. Exactly the same theoretical bases for the analysis of Latin American development are to be found in an article previously published by Dr. Raúl Prebisch – unquestionably the outstanding CEPAL economist of the day – under the title “The economic development of Latin America and its principal problems” (E/CN.12/89/Rev.1).¹¹

In these documents, which laid the foundations for what came to be called the CEPAL-Prebisch doctrine, there are two or three basic concepts which, in the context of current economic discussion, were innovative. *In opposition* to the view prevailing in the orthodox-liberal circles which accepted the fundamental premise of market theory relating to the comparative advantages of the international division of labour, Prebisch asserted that economic relations between

¹¹ The analyses contained in the following pages, relating to the 1950s, are based on these and other documents by the CEPAL secretariat or by Prebisch. In the case of the former, the collaboration of economists such as Celso Furtado, Juan Noyola, Regino Botti, and others was of great value; although it is difficult to weigh up individual contributions, since no relevant research exists. Originally issued as a separate document (United Nations publication, Sales N°: 50.II.G.6.2), Prebisch's article was subsequently reprinted in the *Economic Bulletin for Latin America*, vol. VII, N° 1, Santiago, Chile, February 1962, and hereinafter quotations and page numbers will be taken from this reprint. Albert Hirschman called this essay ‘the CEPAL manifesto’. See A. Hirschman, “Ideologies of economic development in Latin America”, in *A Bias for Hope. Essays on Development and Latin America*, Yale University Press, 1971, pp. 280-281 (originally published in 1961).

the centre and the periphery tended to propagate the conditions of underdevelopment and to widen the gap between developed and underdeveloped countries. The invisible hand of the market seemed to Prebisch the wicked step-mother's: instead of correcting inequalities, it aggravated them.

Why is this? Because the central countries appropriate the lion's share of the fruits of technical progress. How? On the basis of evidence presented in United Nations documents that showed a trend towards deterioration of the terms of trade between primary commodities and manufactures, Prebisch lists the factors that cause this structure, from which increasing disparities stem:

- The growth rate of productivity is higher in manufacturing industry than in production of agricultural commodities;
- The increase in productivity should be transferred to the prices of industrial products via the reduction of the value incorporated in each unit produced;
- Nevertheless, as in the industrialized countries there is trade-union pressure to keep up the level of wages, and industrial production is organized in such a way that the oligopolies protect their rates of profit, prices do not decline in proportion to the rise in productivity.¹²

¹² Why did income in the centre increase, paradoxically, more than in the periphery? “During the upswing, part of the profits are absorbed by an increase in wages, occasioned by competition between entrepreneurs and by the pressure of trade unions. When profits have to be reduced during the downswing, the part that had been absorbed by wage increases loses its fluidity, at the centre, by reason of the well-known resistance to a lowering of wages. The pressure then moves towards the periphery, with greater force than would be the case

In other words, what Prebisch called the agents of production — workers and entrepreneurs— in the industrialized countries manage, by virtue of their *politico-organizational* strength, to obstruct the operation of the market, thus producing a specific effect on international trade — the steady deterioration of the terms of trade— and preventing the diffusion of technical progress at the international level. This explains why the price of primary commodities tends to *fall* as a proportion of the price of manufactured products.¹³

The foregoing summary shows that Prebisch started from a fundamental classic assumption. This predicted a relative decline in the international prices of manufactured products, in comparison with those of primary commodities; if such a relative decrease took place, it might be expected to result in a trend towards international equalization of resources (since the main producers of primary commodities are countries with lower income levels). It is in connexion with this point (and not in relation to contemporary neoclassical opinion on world trade) that Prebisch's analysis contrasts with Samuelson's reinterpretation of the theories of Heckscher and Ohlin. It is useful to recall, however, that the starting-point of Prebisch's contributions was not the neoclassical theory of trade.

if, by reason of the limitations of competition, wages and profits in the centre were not rigid. The less income can contract at the centre, the more it must do so at the periphery". See "The economic development of Latin America and its principal problems", *op. cit.*, p. 6.

¹³ "... it follows that the exchange values of manufactured articles, compared with the products of agriculture and of mines, have, as population and industry advance, a certain and decided tendency to fall." J.S. Mill, *Principles of Political Economy*, Ashley Edition, p. 703.

CEPAL's position is clear with respect to the implications of the downward trend of primary commodity prices in conditions where the supply of labour is more plentiful and productivity growth lower than in the developed countries. It means that there is *less capacity for capital accumulation in the periphery* — since for Prebisch saving is primarily dependent on productivity growth— and therefore leads to discussion of the need for a specific industrialization policy to promote accumulation and development.

In the line of argument pursued by CEPAL and by Prebisch, the analysis of the mechanism of exploitation of the periphery by the centre may be felt to require fuller development, but it cannot be said that their reasoning neglects the essential role of accumulation in market economies, or disregards the specific historical and social conditions underlying accumulation in capitalist countries: greater capacity to fight for their own class interests on the part of trade unions in industrialized countries, and the political and organizational strength of the big capitalist firms to resist any fall in rates of profit, constitute an obstacle to the automatic transfer of the gains from rising productivity which was taken for granted in the theory of international trade.

The political and structural postulates of the CEPAL approach may be open to debate in terms of an economic analysis giving more weight to 'the logic of capital', as it is now fashionable to say in leftist economic circles in Europe. But it would not be satisfactory to affirm this in the abstract, without considering the concrete conditions of social exploitation; and it seems to me wrong to suppose that CEPAL somehow or other made the mistake of thinking that

exploitation on the international market occurs through inequalities in the terms of trade, as if the assumption were that exploitation is merely, or principally, commercial.

(c) *Critical reactions*

The CEPAL theses on international trade and development were not accepted without opposition – far from it. The more orthodox sectors of economic thought (both liberal and marxist) were invariably critical (from opposite points of view) of what came to be known as ‘CEPAL thinking’. For the zealous defenders of the idea that the ‘logic of the market’ is the best mechanism to promote *true* development, CEPAL always represented the Trojan horse of leftism. Behind the cautious recommendations concerning the necessity for State intervention to correct distortions, the defence of protectionist policies, the insistence on the structural nature of inflation in Latin America, etc., orthodox liberals always saw the risk of bureaucratic socialism.

Later on, with no less fervour, the theorists of the extreme left ‘unmasked’ the class element in CEPAL’s formulations, alleging that they did not expose the mechanisms of social and economic exploitation that keep the working-class subordinated to the bourgeoisie and the latter to the imperialist centres. There was even a time –after some of the communist and populist parties had changed their policy to chime in with CEPAL’s pleas for industrialization and the strengthening of internal centres of decision-making, without too closely scrutinizing the ruling-class character of the latter– when the extreme left almost came to believe that were it not for the

existence of CEPAL, of the communist parties and of populism, the long-awaited revolution would already have liberated the peoples of Latin America from the yoke of class domination and the shackles of imperialism. Thus, the vision of CEPAL was treated as if it were a way to put blinkers on the consciousness of the peoples, showing them just a straight path ahead towards a prosperous future through industrialization and the strengthening of the State.

How much weight is to be attached to this criticism?

As we have seen, the Prebisch-CEPAL theory argues that technological progress, in combination with *specific social conditions*, produces different effects in the centre and in the periphery. Accordingly, there seems no reason to accuse it of oversimplification in this respect. But there are some points that its explanatory system fails to cover. Why do not employers in the periphery retain the gains that result from rising productivity in the agricultural sector by themselves appropriating those deriving from the relative differences between their reduced production costs and the limited capacity to exert pressure (low level of development of the class struggle) of workers in the peripheral countries?

There is a hiatus in the explanation of the mechanism by which gains are transferred from the periphery to the centre, and the notion of the ‘insufficient dynamism’ of peripheral capitalism obscures rather than clarifies the issue. Despite CEPAL’s attempts to work out an adequate body of hypotheses explaining the world economic situation in the 1950s, what is lacking is an analysis of the international relations of exploitation –colonialism and imperialism– in order to give more consistency and

lucidity to the critical position initially assumed by CEPAL.

From CEPAL's analysis it follows that the differences between centre and periphery in the advance of the productive forces and the workers' capacity for struggle mean that the periphery's capacity for accumulation is less. In these conditions, the inability of local producers to compete in business with the foreign capitalists who handle international trading and the 'propensity to consumption' of the local élites still further weaken the capital accumulation process. This explanation is not convincing, although understandable in view of the smallness of the basis for accumulation then at the disposal of the peripheral economies. Personal consumption is insignificant in proportion to company reinvestments, which, during the phase of concentrated effort to industrialize, from the end of the Second World War to the 1960s, took the form of constant feedback of profits. This shows that the part played by personal consumption in the explanation of capitalist development is fairly limited.

This flaw in the CEPAL theory has been the object of both distortions and criticisms. From the point of view of explaining the relation between development and underdevelopment, the latter are not unjustified, as I shall indicate in a moment. But in so far as the CEPAL theses affirm the existence of an inherent logic in the international trade process which results in terms of trade disadvantageous to the periphery, they are strong enough to invalidate the theories which had previously held sway.

Why did the CEPAL theses concerning international trade hold their ground? Because, even without the assumption that the terms of trade *had deteriorated*, there would have been

'exploitation' due to unequal distribution of gains in international trade.

United Nations statistics showed that from 1876-1880 up to 1946-1947, there had been a steady trend towards deterioration of the terms of trade. To support his argument, Prebisch reproduced in his article on "The economic development of Latin America and its principal problems" the data given in a United Nations document of 1949 on "Post-War Price Relations" in world trade. Without going into so much explanatory detail as the CEPAL documents and Prebisch's article, Hans Singer had already drawn attention to this tendency.¹⁴

The statistical basis for the argument was considered insufficient by Haberler and others. The United Nations document referred to United Kingdom trade, and the lack of comparability between the United Kingdom's manufactures and those of Germany, Japan, the United States and other economies may have distorted the results. Controversy is still being unremittingly waged with respect to trade data; but even if it is admitted that for some time United Kingdom prices were affected by low productivity and by over-valuation of the pound sterling, permanent capacity to export depends upon capacity to keep prices roughly within the given exogenous international price margins. In cases such as these, the law of a single world market price must be maintained, at least approximately, for homogeneous products.

¹⁴ Hans Singer, "The distribution of gains between investing and borrowing countries", in *American Economic Review*, May 1959, pp. 472-499. The controversy on the terms of trade continued for some time. Obviously, there are cyclical variations by which the terms of trade are affected. Data showing in detail the consequences of the trend towards deteriora-

II

Criticisms of CEPAL's theories and alternative theories proposed

(a) *The 'orthodox' line*

It was not long, however, before CEPAL's formulations were rebutted by the representatives of orthodoxy. Professor Gottfried Haberler, of Harvard, categorically denied that economists were "in possession of any law which would enable them to predict a price trend for or against primary producers of raw materials."¹⁵ He recognized the validity of a rough generalization concerning short-term variations to the disadvantage of underdeveloped countries, since during phases of world economic depres-

tion were published by CEPAL in the *Economic Survey of Latin America 1949*. It should be stated that the idea of a *permanent* deterioration in the terms of trade does not play an essential role in CEPAL's more fundamental views on the blockage in the transfer of the fruits of technical progress. CEPAL suggested that under-development could be overcome only by industrialization, inasmuch as this could increase rural migration, reducing the burden of the agricultural labour surplus, facilitating the technicalization of agriculture and affecting labour costs through a rise in wage levels. Taken together, these factors imply high prices for primary commodities, and better chances of transfer of technological progress from the centre to the periphery.

¹⁵ As I said before, Prebisch did not postulate any law concerning an inevitable worsening of the terms of trade. He simply tried to explain certain empirical findings by proposing an interpretative hypothesis and suggested some practical measures for coping with the difficult economic situation in the peripheral countries. Haberler misinterpreted Prebisch's ideas from the very outset of his critique.

sion the relative prices of primary products tended to worsen; but he denied the possibility of confirming a persistent downward trend. He believed that the extent of the deterioration of the terms of trade for primary-exporter countries had been exaggerated. His advice to the underdeveloped countries was to learn to live with their hardships, and to console themselves with the reflection that the rich countries had their troubles too...¹⁶

Notwithstanding the bias of Haberler's conclusions, he does put forward one pertinent argument, if in mistaken terms, when he touches on an important—and controversial—point in the CEPAL theory: the inevitability of the gap between centre and periphery. Haberler argues that a deterioration of a country's

¹⁶ The most consistent of the criticisms disputing the existence of such a trend—setting aside the endless methodological objections relating to *base years*, countries of reference, reliability of data, etc.—was that of Gottfried Haberler in "The terms of trade and economic development", H.S. Ellis, *El desarrollo económico y América Latina*, Mexico City, Fondo de Cultura Económica, 1957, pp. 325-351. (For the passage quoted above, see p. 349.) His basic argument is that the relation between commodity prices is not a satisfactory indicator for measuring the terms of trade. It would be better to analyse the "single-factor terms of trade", examining separately the effects of changes in productivity in one given export commodity on the international price of the product. A *fall* in relative prices might occur that was less than the reduction of costs induced by a technological change.

terms of trade on the international market within a given period *does not signify* that by the end of the period that country's economic welfare will have been unfavourably affected (p. 326). To demonstrate his argument, he makes play with the idea of 'the single-factor terms of trade', instead of taking the value of commodity trade as the basis for his analysis. In this way –without refuting the Prebisch-CEPAL thesis– he draws attention to the dynamism which is necessary for a clear understanding of economic development processes. In other words: there may be an unequal distribution of gains in favour of the centre via foreign trade, and *at the same time*, as a result of increases in productivity, there may –in theory– be economic growth and even an improvement in the level of living in the periphery. Thus the gap between developed and developing countries may widen while simultaneously levels of living in some of the latter may be rising.

Haberler also tried to undermine the foundations of CEPAL's theory and *deny* the validity of the idea that it is through the defence of wage and profit levels in the industrialized countries that the transfer of the benefits from technological progress is blocked. He argued that competition between capitalists and the breakdown of the United Kingdom's monopoly of technological progress invalidated CEPAL's position. According to him, the primary producers are perfectly capable of looking after themselves; those who suffer are the fixed-income groups in the developed countries (!).¹⁷ Similarly, he criticized interpre-

tations of the expected effects of Engel's Law on international trade, stressed more by Singer than by CEPAL. Perhaps, he argued, this law might affect food producers, but it would be incorrect to extend its implications to primary producers as a whole, since production of minerals, for example, would be unaffected by it.

Despite their conservative bases, and the misleading interpretation of Prebisch's views, Haberler's arguments also indicate an important lacuna in the early work of CEPAL: the lack of a more detailed analysis of the role and nature of economic cycles, and the distinction between such cycles and tendencies towards constant deterioration. Later on, in the works of succeeding writers, the effects of recessions were taken as the expression of irreversible trends. This conception led to an assumption of continuous and growing deterioration, not only in the relation between developed and underdeveloped countries, but actually in the underdevelopment situation itself.

In a sense, the 'catastrophist' outlook, which later culminated in the formulation of theories of 'the development of underdevelopment', was latent in the CEPAL interpretation itself. It would be incorrect, however, to suppose

effect, Bettelheim rejects the idea that the 'rate of exploitation' is higher in poor countries. By definition (if one considers the relation between the mass of surplus value generated and variable capital), the greater the development of the productive forces, the *higher* will be the rate of exploitation. However, the theoretical model put forward by these authors is not adequate for discussion of the question of *poverty*, since there can be both *more intensive exploitation* and an *improved level of living* at the same time. Failure to clarify the terms of the debate often confuses the issue in discussion of these questions.

¹⁷ Haberler's argument –although specious as regards the victims of exploitation (fixed-income groups)– has something in common with Bettelheim's criticisms of Emmanuel. In

that the emphasis in CEPAL's arguments on the deficiencies of the international market mechanism gave rise to mainly static or catastrophic formulations. Such concepts were implicit in some of CEPAL's theses, but not so much literally as potentially; they would only have appeared if the theoretical field to which they pertained had been developed to the full. The 1949 *Survey* incorporated the idea of cycles, and asserted that the prices of manufactured products would fall *less* during a recession than those of primary commodities, while at the end of boom periods the latter would rise faster; it was the final *result* that would be negative for primary products. It would be wrong, then, to say—as Haberler implied—that CEPAL's diagnosis was based on a purely static conception of the relations between centre and periphery.

Furthermore, in his *economic policy*, Prebisch vigorously defended the need to create conditions which might favour the reduction of the gap between centre and periphery. The theoretical argument, however, left room for ambiguous interpretations, and these were in fact the basis of Haberler's critique. Other economists did the same as Haberler: they took a step backwards in the debate. Outstanding among these was Professor Jacob Viner.¹⁸

To quote his words: "All that I find in Prebisch's studies and in other literature along similar lines emanating from

¹⁸ See the series of lectures given by Jacob Viner, of Princeton University, in Rio de Janeiro, at the invitation of the Fundação Getúlio Vargas, during the months of July and August 1950. They were published in Portuguese, in June 1951, in the *Revista Brasileira de Economia*, Year 5, N° 2, and in English in *International Trade and Economic Development*, New York, Free Press, 1952.

the United Nations and elsewhere is the dogmatic identification of agriculture with poverty, and the explanation of agriculture poverty by inherent natural historical laws by virtue of which agricultural products tend to exchange on ever-deteriorating terms for manufactures, technological progress tends to confine its blessings to manufacturing industries, and agricultural populations do not get the benefit of technological progress in manufactures even as purchasers, because the prices of manufactured products do not fall with the decline in their real costs".¹⁹

And the professor adds: "This is no more nor less than mistaking a simple conjuncture for non-existent tendential laws".²⁰

Since he saw nothing in Prebisch's reasoning but what has just been stated (as if that itself did not call for closer attention, in view of the United Nations data, and did not conduce to more complete reconsideration of international trade theory), Viner went on to 'demonstrate' that the real problem was not *agriculture* as such, nor *industrialization* as such, but 'poverty and backwardness'. How could poverty and backwardness logically be adduced as their own causes? In any event, he was mistaken in his presentation of Prebisch's reasoning, since the latter was based on the differential rates of *productivity* growth (or of the development of the forces of production) in developed and underdeveloped countries. Agriculture was offered as an example to bring out the fact that, as a general rule, in Latin America agricul-

¹⁹ Viner, *op. cit.*, p. 44.

²⁰ It is hard to understand how Viner can assert that a period of over 70 years—like that considered in the United Nations trade statistics—is a 'short-term period'.

tural productivity was low in comparison with that of the urban industrial sector, and that *therefore* poverty was greater in rural areas. And as no-one who knew anything about the Argentinian economy could fail to realize, Prebisch always maintained that higher agricultural productivity was a useful instrument for raising levels of living.

On a purely technical plane, however, the final evidence that Viner failed to grasp the point of Prebisch's main argument is to be found in the following assertion: "It is claimed also that there is a historical 'law' of more rapid technological progress in manufacturing than in agriculture. If this were true, and manifested itself in a relative decline in real cost of production of manufactures, it would tend to result in a favourable and not in an unfavourable movement in relation to prices for agricultural products".²¹

As has already been shown, Prebisch had formulated his criticism precisely because international trade impeded the operation of this classic mechanism.

(b) *The 'heterodox' liberals*

For a better understanding of some of the criticisms levelled at CEPAL, it is helpful to bring into focus the separation between a possible theoretical bias in CEPAL's initial formulations (which contained a slightly static view of the nature of the gap between centre and periphery), and the proposals for practical action to narrow that gap.

It should be borne in mind that (discounting the marxist analysis) the economic theories then current with regard to the best way of breaking

through the iron circle of underdevelopment placed paramount emphasis on capital formation — capital being thought of as a 'factor' depending upon two mechanisms:

- foreign investment
- 'surplus'-generating exports.

Where exports and imports were concerned, stress was laid on the idea that even without industrialization the periphery could benefit from the centre's progress, because there were equalizing mechanisms in the international trading system. As to foreign investment, even the most orthodox advocates of its advantages recognized that it was apt to be concentrated in the colonial-exporter sectors, and that the narrow limits of the domestic market were an obstacle to the attraction of industrial investments to developing countries.

Thus, the prevailing development theories were either based on the advantages of international trade or, in one way or another, ended by accepting the vicious circle of poverty as a fundamental handicap of the peripheral economies.

The most prestigious critical formulation on underdevelopment from liberal quarters in the early fifties was produced by a disciple of Wicksell who had broken with orthodoxy: Gunnar Myrdal. With the keen critical perception which he had developed in his masterly work on the American negroes, Myrdal, as from the time of *An American Dilemma*, had incorporated a 'structural' perspective into his thinking. His analyses steadily gained in political density, as attested by *The Political Element in the Development of Economic Theory*, published in London in 1953. But when he worked out his hypothesis on 'circular and cumulative causation' — which

²¹ See *International Trade and Economic Development*, *op. cit.*, p. 144.

provided more sophisticated theoretical backing and added critical elements from political theory to the old idea of the vicious circle of poverty — Myrdal was emphasizing obstacles rather than possibilities of development.²²

In the Latin American debate — which bore on a more urbanized region, less essential to capitalist development in the centre — the major academic argument related to the circularity of poverty, due to the restricted size of the markets. The weight of extra-economic factors was less visible and had less impact on economic theory.

Ragnar Nurkse, in lectures he gave in Rio de Janeiro in July-August 1951, put the matter clearly: the limited size of domestic markets was the greatest obstacle to development.²³

How is this barrier to be broken down?

Nurkse's answer is also clear. In situations bearing the mark of the vicious circle of poverty, reliance cannot be placed on the automatic operation of Say's Law: it must be applied so as to produce a chain reaction. In a comment on an earlier article by Rosenstein-Rodan about the industrialization of Eastern and South-Eastern Europe, which showed the limitations of thinking of supply as necessarily complementary between the sectors of production, Nurkse makes the following diagnosis:

²² For the purposes of the present analysis, the most complete formulation of the theory of circular and cumulative causation is to be found in Gunnar Myrdal, *Economic Theory and Under-Developed Regions*, London, Gerald Duckworth and Company, 1957 (published in the United States under the title *Rich Lands and Poor*, New York, Harper & Row, 1958), especially chapters 2 and 11. (The book is a revised version of lectures delivered in 1955 and originally published in 1956.)

²³ Nurkse, *op. cit.*, chapter I.

- only a rise in productivity really generates an expansion of the market (therefore, monetary inflows simply produce inflation, and exports in themselves do not resolve but reproduce the vicious circle);
- an isolated rise in productivity, however, is not enough. Only the chain reaction and the basic complementarity produced by a wave of capital investment in several industries can break through the circle;
- Schumpeter's theory of the innovator-entrepreneur and the successive waves of entrepreneurial action would give sociological and economic support to the theory of the initial push.

Thus there emerged a neat formulation of the so-called 'theory of balanced development', based on the amplification of the total size of the market and provision of increased incentives to industrial investment in general.²⁴

²⁴ Several authors follow the line of the theory of 'balanced development'. Rosenstein-Rodan, for example, after repudiating the advantages of autarkic national development and proposing a style of development based on substantial international investment and loans, was also to defend a growth strategy based on large-scale planning for different and complementary industries. Through this mechanism, the industrialization of the periphery would have the advantage of absorbing the rural population, instead of driving them to emigrate and thereby swell the flow of capital in the already-developed countries. See his article "Problems of industrialization of Eastern and South-Eastern Europe", in A.N. Agarwala and P.S. Singh, *The Economics of Underdevelopment*, Oxford University Press, 1943, (New York, 1963), pp. 245-255. In another paper, he redefines this view and defends the advantages of concentrating efforts and giving a 'big push' to backward economies through investment on a large scale. See Rosenstein-Rodan, "Notas sobre la teoría del gran impulso", in Ellis, *op. cit.*, pp. 67-93.

The discussion — whose ramifications cannot be traced in this short paper— of what was meant by ‘a large market’, in relation to the size of the population and geographical space, was very brisk in the early 1950s.²⁵ Not all economists in the developed countries agreed with Nurkse. Although, as we shall see below, he had placed more emphasis on the need for foreign capital than on domestic saving to increase productivity *per capita* and break through the iron circle of backwardness, he worked out, though the theory of ‘balanced development’, a line of thought which *favoured* industrialization.

Albert Hirschman, with his characteristic sensitivity of perception, and always alert to the dialectic of the unexpected, began by proposing, in a lecture given in 1954, a different development strategy. Instead of adopting the ‘balanced growth’ hypothesis, with its obvious concern for capital requirements, Hirschman pointed out that disequilibria sometimes stimulated corrective reactions. He suggested, too,

²⁵ An interesting offshoot of this discussion is to be found in an anti-CEPAL author, Alexandro Kafka. See his article “Algunas reflexiones sobre la interpretación teórica del desarrollo económico de América Latina”, in H.S. Ellis, *op. cit.*, pp. 3-35. Kafka discusses market size, in terms both of the size of countries and of their natural resources, but does not underestimate the effects of international trade on development, on condition that there is the ‘entrepreneurial capacity’ to take advantage of them. Although he is in this respect close to Nurkse, Kafka’s argument is interesting in that he shows the *advantages* of disequilibrium —including the disequilibria derived from concentration of income—in so far as they act as a spur to development. This type of thinking had a decisive influence on theories of ‘accelerated growth’ between 1965 and 1975.

that a chain of technological demands might call for new investments; so that it is important to consider the links which precede investment and those which follow it. Later, in 1958, Hirschman published *Strategies of Economic Development*, in which he gave theoretical consistency to his opinions and amplified his hypotheses on the anterior and posterior links as key factors in the development process. At the same time, his book gave a reminder of certain important and unrecognised possibilities for development and innovations in Latin America.

Albert Hirschman was not an opponent of CEPAL’s assertions concerning industrialization, but rather a supporter with a critical mind. He showed that in the capital accumulation process, internal inventive effort is of more value for development strategies than incessant complaints about the shortage of capital. Since his book was written during the second half of the 1950s, Hirschman may be regarded as a pioneer among non-Latin American economists in defending the advantages of planning and of State intervention in the economy. Some of his interpretations, such as those bearing on inflation and balance-of-payments problems, are close to CEPAL’s structuralist conceptions, although they were propounded independently of these.

In any event, neither Nurkse nor Hirschman was as much concerned with the ‘automatic’ effects of the theory of comparative advantages as with the real problems of development: how to accumulate or more efficiently utilize the surplus in order to break down —through industrialization— the barriers of backwardness and underdevelopment.

(c) *The marxists*

It was on the basis of Lenin's second version of the effects of imperialism that marxist economists contemporary with CEPAL's early formulations propounded their systems of ideas. Dobb follows the classic marxist line of reasoning: capital expansion will occur on the periphery because the rise in the organic composition of capital in the industrialized countries accelerates the downward trend of the profit rate: accordingly, the colonial countries, where there is cheap and abundant labour and a lower organic composition of capital, will be likely to attract foreign investors.²⁶ Baran, who published an article in 1952 on "An interpretation of economic backwardness", takes up the legacy of Lenin's second version of centre-periphery relations, but without paying much attention to orthodox marxist tradition (followed in part by Dobb), in which industrialization of the periphery is seen as a natural consequence of world capitalist expansion.

Baran, in effect, accepts the thesis of the narrow limits of the market as an obstacle to development: "The shortage or investible funds and the lack of investment opportunities represent two aspects of the same problem. A great number of investment projects, unprofit-

²⁶ See Maurice Dobb, *Political Economy and Capitalism* (1937), chapter VII. Paul Singer points out the contradictory way in which Dobb develops his ideas, inasmuch as, having shown that investment would be placed in the periphery as a means of sidestepping the downward trend of the profit rate, he says that industrial production in the colonies will complement that of the metropolis rather than competing with it (*op. cit.*). (In Spanish version - *Economía política y capitalismo*, Mexico City, Fondo de Cultura Económica, 1945-, p. 16.)

able under prevailing conditions, could be most promising in a general environment of economic expansion".²⁷ Consequently, he becomes an advocate of industrialization by way of the same argument that it is essential to increase productivity and that a developed agriculture calls for industrial development. He analyses and endorses protectionist programmes, tax reforms, etc., but subordinates them to a political analysis of the prevailing power structures. Without radical changes in the latter, any reform programme is an illusion:

"For backward countries to enter the road of economic growth and social progress, the political framework of their existence has to be drastically revamped. The alliance between feudal landlords, industrial royalties, and the capitalist middle-classes has to be broken" (*ibid.*, p. 91).

Later, in a book published in 1957, Baran reformulates his point of view. He maintains his criticism of political conditions which are unfavourable to development, but refutes Nurkse and Hans Singer, replacing the idea of the absence of capital funds (narrowness of the market) by that of inadequate use of the 'economic surplus' in underdeveloped countries, and setting limits to the hypotheses on the deterioration of the terms of trade, inasmuch as this would not affect all underdeveloped countries in the same way, and because many of them would have little need of foreign exchange.²⁸

²⁷ Paul Baran, "On the political economy of backwardness", in Agarwala and Singh, *op. cit.*, p. 83.

²⁸ Baran's book, *The Political Economy of Growth*, New York, Monthly Review Press,

Introducing the idea of an 'economic surplus', Baran shows that the use of it is socially irrational and that in any circumstances its efficient application would resolve the problem of the alleged shortage of capital. Foreign investment does not rectify but rather aggravates distortions in the use of the surplus.

Curiously enough, however, Baran does not find a solution for a manifest contradiction in his own exposition:

- he admits and develops the marxist belief in the dynamic nature of capitalism and the role of industrialization in promoting development (denying the validity of the mechanistic explanation according to which it is isolated foreign investments—in highways and energy, for example—that trigger development, since for Baran, the industrializing process starts with local investments);
- in consequence, he accepts the theory of the 'cumulative effect of investments' in the style of Rosenstein-Rodan (see *The Political Economy of Growth, op. cit.*, chapter VII);
- he remodels the argument, so as to emphasize domestic investment and the social division of labour;
- but he does not lay sufficient stress on the development of the productive forces (technological progress).

For this last reason, he minimizes the importance of balance-of-payments restrictions and the deterioration of the terms of trade in the industrialization

1957, is a curious variant of the American neomarxist position on development questions. Baran systematically criticizes the solution proposed by Nurkse and accepted, with some reservations, by Prebisch, with regard to the role of foreign investment (see chapters VI and VII).

process. A fully explicit exposition of his argument, in order to be coherent, would have to lead up to the idea of an autochthonous technology, —which it does not— or to his taking more seriously the effects of the deterioration of the terms of trade on industrial development possibilities.

But instead of doing this, Baran concentrates his criticism on the propensity to consumption on the part of the upper classes, at the expense of *real investments* (expansion of the means of production). He notes a very important aspect of the structure of underdevelopment: namely, that only a small proportion of industrial investment is spent inside an underdeveloped country, because the bulk of it is eaten up by the purchase of machinery and licences abroad, but he does *not* give this argument its due importance. Thus, he puts forward a theory which accepts that "investment tends to become self-generating, and the lack of it self-stagnating" (chapter VII), and sees the irrational use of the surplus as an obstacle to development. All this he alleges would lead the peripheral countries to economic stagnation, from which their only way out would be through political channels.

Thus, while the more classic marxist trend diverges from CEPAL's analysis in that it *did not see* the scarcity of capital as a problem, the more political Leninist tradition, accepted *ipso facto* by Baran, perceived that there was a problem which did seem to lie in the market and the insufficient dynamism of capital funds, but, in contrast with Prebisch, did not believe that reforms, increased productivity, or bigger inflows of foreign capital could drastically alter the prevailing conditions of underdevelopment. Only a socialist revolution would liberate

the productive forces and make it possible to raise the level of living of the masses through a more rational use of the available surplus.

More recently, the CEPAL theories have been re-appraised by marxist economists. Arghiri Emmanuel, twenty years after Prebisch, proposed a theory of 'unequal exchange'; only instead of finding the causes of inequality, as CEPAL does, in the production system and the special features of the organization of enterprises and of the class struggle, Emmanuel emphasized the inequalities *at the level of trade transactions*.

Hence, in recent times, has stemmed a whole new branch of academic marxist debate concerning 'exploitation' in international trade and the differential rates of organic composition of capital in the centre and the periphery. Charles

Bettelheim criticizes Emmanuel's views—rightly, in my opinion, where this point is concerned—showing that 'exploitation' in marxist theory refers to relations *between* classes (capital itself, in this conception, is a *social relation of exploitation*), and that it must not be forgotten that the unequal rates of organic composition of capital (i.e., the proportions of constant capital—machinery and raw materials—to variable capital, that is, wages) in different branches of the economy or in different national economies are an effect of the *unequal development of the productive forces*. The latter, in its turn, depends on the unequal social and material conditions of production. Thus, it seems inadequate to speak in terms of exploitation at the level of world trade without specifying the mechanisms of class exploitation which permit it.²⁹

III

CEPAL's ideas in practice

It is interesting to note that although Prebisch and CEPAL based their reasoning on the imperative necessity of increasing productivity *per capita* and at the same time promoting capital accumulation, in order to raise the level of well-being of the masses, this policy was severely criticized by left and right alike. The left disapproved because, once again, there was no *explicit account* of the mechanisms by which the two goals—capital accumulation and improvement of the people's levels of living—would be made compatible; the right, because it saw in the Latin American Manifesto (as the 1950 document was called by

Hirschman) nothing more than an accusation against the rich countries and a zeal for international redistribution which failed to take seriously the necessity of promoting capital formation and productivity growth.

²⁹ More recently, African and European economists have developed a theory known as that of 'l'échange inégal'; taking into account the effects of capitalist development on a world scale (as does for example, Samir Amin), they propose a scheme of the same type, but formally marshalling the causes of inequality on *opposite* lines. The starting-point is that *it is because the industries of the centre are monopolistic that their prices fall and therefore the*

Nevertheless, Prebisch was explicit. He showed that:

- international trade should play an active part in assisting Latin American growth (see his article on "The economic development of Latin America and its principal problems", *op. cit.*, p. 2);
- an increase in productivity was indispensable;
- without accumulation there would be no development;
- this process, however, should emphatically not be brought about through the restriction of popular consumption, which was already too low.

Let me quote here some extracts from the above-mentioned article:

"Nevertheless, it does not appear essential to restrict the individual consumption of the bulk of the population, which, on the whole, is too low, in order to accumulate the capital required for industrialization and for the technical

workers can obtain higher wages. Cf., Samir Amin, *Le développement inégal*, Paris, Éditions de Minuit, 1973. The basis of Amin's theory can be found in his book *L'accumulation à l'échelle mondiale*, Paris, Éditions Anthropos, 1970. Apart from Amin, several other economists have renewed the attack on the theory of the international division of labour and have taken up CEPAL's theme again (although without knowing all the texts written twenty years before by Prebisch, Furtado, and others). See A. Emmanuel, *L'échange inégal*, Paris, François Maspéro, 1972. Reacting against all these currents, from CEPAL to the 'unequal exchange' theorists, Christian Palloix criticizes them for ignoring the internal development of the productive forces of the periphery. Yet he himself overlooks the 'dependency theories' and fails to make a link between internal reproduction and the expansion of international monetary capital. See Christian Palloix, *L'économie mondiale capitaliste*, Paris, François Maspéro, 1971.

improvement of agriculture" (p. 3). Again, "if productivity in agriculture can be increased by technical progress and if, at the same time, real wages can be raised by industrialization and adequate social legislation, the disequilibrium between incomes at the centres and the periphery can be gradually corrected without detriment to that essential economic activity (primary exports)" (p. 3). Prebisch goes so far as to set limits to industrialization (and, consequently, to protectionism) in relation to those objectives: "If the aim is to increase the measurable well-being of the masses, the limits beyond which more intensive industrialization might mean a decrease in productivity must be borne in mind" (p. 3).

(a) *Development policies*

To an even greater extent than on the plane of theoretical discussion, the CEPAL propositions laid themselves open to criticism when they went on to support specific policies.³⁰ Firstly, because they placed the emphasis on structural disequilibria, and economists who were more concerned with the short term or with the monetary aspects of development saw in them a risk of anticapitalist rhetoric. The discussion on inflation (upon which I shall not enter) is a striking example of this dialogue between the deaf.

³⁰ The best discussion of CEPAL's development strategy is to be found in Albert Hirschman, "Ideologies of Economic Development in Latin America", in *A Bias for Hope* (*op. cit.*). This essay and another in the same book, "The political economy of import-substituting industrialization in Latin America", are of basic importance for understanding the history of ideas on development and of the process itself.

With respect to basic objectives and the instruments of economic policy whereby they might be attained, little change took place in CEPAL's position during the 1950s. It continued to advocate:

- industrialization and 'healthy' protectionism;
- adequate foreign currency allocation policy;
- programming of import substitution;
- special care not to allow wages to fall even lower in the course of the industrialization process and to prevent a reduction of the consumption capacity of the masses.

These were obviously burning questions. CEPAL trod carefully, up to the end of the 1950s, in proposing socially and politically thorny measures, such as land reform and social equalization policies. Even so, to speak of exchange controls or of investment *programming* seemed, in conservative eyes, a sort of heresy.

Apart from the declarations regarding the level of living of the masses, in documents such as those quoted above, the emphasis of the CEPAL policies was placed on the need for 'programmed' industrialization, accompanied by the essential exchange control mechanisms. The implementation of such policies implied, however, defending the need to shift the centres of decision-making to the periphery and, consequently, strengthening the decision-making and regulatory capacity of the State. So it is not difficult to understand the reason for the liberal-conservative reaction *vis-à-vis* CEPAL. Its ideas, even if they did not exacerbate the 'social question', were disturbing.

In this context, it is odd that on the purely ideological level, in so far as the formulators of propositions inspired by

marxist thinking also criticized the assumed existence of a 'feudal-imperialist alliance', there was a measure of concord between them and some of CEPAL's views. The language used was different, and so were the bases on which the interpretation was founded, but for both currents of thought *the outside world* was public enemy number one, and both coincided in the belief that without an internal effort to remove 'obstacles to development'—those represented by the traditional sectors—there would be no improvement in the level of living of the masses. These points of agreement were what made CEPAL thinking slightly 'pink'.

Prebisch and CEPAL, as well as the representatives of this school of thought in the individual countries—the shining example was that of Furtado and the Superintendência do Desenvolvimento Econômico do Nordeste (SUDENE)—stood firm with regard to the need for industrialization and planning. And they held fast to the objective of increasing the well-being of the masses.³¹ They did not, however, draw up specific policies to that end. Nor must it be supposed that they defended protectionism at all costs; Prebisch always upheld the need for a certain amount of competition. His distrust of Soviet-style State control even led him to wonder whether the undeniable successes of the Soviet economy—which he found dazzling—were not due more to the expansion of the educational system and to social mobility than to over-centralization.³²

³¹ Significant in this connexion is a lecture by Prebisch on economic planning, published in *Panorama Económico*, N° 231, Santiago, Chile, Editorial Universitaria, 1962, in which he asserted that the aim was to use planning as a means of redistributing income, once it had increased, to the benefit of the masses (p. 149).

³² *Ibidem*, p. 150.

Later, at the turn of the decade, CEPAL insisted on the importance of economic integration between countries and incorporated the idea into its fight for industrialization and economic programming. It proposed and collaborated in the formation of Latin American 'common markets': the Latin American Free Trade Association (LAFTA) and the Central American Common Market. It is plain that underlying these efforts was still the same idea of the narrowness of the market—the pursuit of the desired scale of investment—and the political notion that by means of 'blocs' it might perhaps be easier to put up some opposition to the interests of the centre.

In the earliest CEPAL documents technological dependency was taken for granted as a characteristic of underdevelopment. Nevertheless, there is a broad area of indecision in CEPAL's initial thinking on development: it embraces policy relating to foreign capital, and the explanation of the nature of the proposed accumulation.

Once it is admitted that capitalist development depends upon the development of the forces of production (on technical progress not in the *abstract* but *incorporated* into social production), and that the latter depends and in its turn has an effect upon both the social (and international) division of labour and the way in which exploitation occurs (accumulation), the following questions become impossible to shirk.³³

³³ Prebisch never accepted the 'populist' theories on the evils of technical progress. Nevertheless, ever since 1952 he has been uttering warnings on the employment problem and the necessity of adapting technology to local socio-economic conditions. His study on "Theoretical and practical problems of economic growth" (E/CN.12/221) is extremely

- How to 'incorporate' technical progress: by importing technology, through autochthonous technological development, or by means of some kind of combination of the two;³⁴
- How to ensure a process of internal division of labour which would be favourable to capital accumulation;
- How to justify the proposed pattern of accumulation given the recognized difficulties in the way of accumulation in a context of poverty. *Explicit* income distribution and foreign investment policies were needed to facilitate the capital formation process;
- How to expand State participation in the economy—directly and through taxation—to increase the chances of industrialization.

The last question, as I have already said, was left in the shade in the most important texts, the implied objective being vigorously maintained as such, but without any explicit indication—for obvious reasons in the case of a United Nations agency often dependent upon somewhat unprogressive governments—of how it might be attained.

Some of the other questions, however, entailed a discussion of the role of foreign capital which continued until the

acute and up-to-date on this point. See particularly pp. 60 to 63 (English version, mimeographed only, May 1951. United Nations publication, Sales N°: 52.II.G.1, September 1952, in Spanish only.)

³⁴ It should be repeated, however, that, since the 1949 study, Prebisch has always borne in mind that in order to change the centre-periphery relationship, technology would have to be transferred, but with due regard to its adaptation in view of unemployment problems, and that industrialization should be undertaken, but *without aiming at self-sufficiency*.

end of the 1950s, but arrived at no firm conclusions.

In Prebisch's 1950 article, the prescription for capital accumulation is as follows:

"It does not appear essential to restrict the individual consumption of the bulk of the population, which, on the whole, is too low, in order to accumulate the capital required for industrialization and for the technical improvement of agriculture. An immediate increase in productivity per man could be brought about by *well-directed* foreign investment" (the italics are mine), "added to present savings. Once this initial improvement has been accomplished, a considerable part of the increased production can be devoted to capital formation rather than to inopportune consumption".³⁵

Prebisch's realism led him to take a cautious view of the contribution that could be made by foreign capital. In the initial formulations of his doctrine, this appears as a stopgap resource. Domestic capital formation must be increased in order to improve productivity, and the State is the agent of the acceleration of this process. Since, however, distortions exist (inflation, high propensity to consumption, etc.), it will be necessary to resort to foreign capital. As early as 1952 Prebisch drew attention to a trend whose implications were not followed up again until the 1960s: the incipient formation of a new market for goods produced through foreign investment, which was *internal*.³⁶ He criticized

³⁵ R. Prebisch, *op. cit.* p. 3.

³⁶ See Raúl Prebisch, "Theoretical and practical problems of economic growth", *op. cit.*, p. 11: "Foreign investments are now preferentially called upon to develop domestic

foreign capital, however, for having been "slow in responding to this new trend". In this frame of mind, he underlined the role of foreign capital in the transfer of technology:

"It is necessary to stimulate such investment, not only because of the funds involved, but also for the technical assistance which it entails, and the extension of the know-how which is so badly needed in these countries".³⁷

In other words, although no clear definition is offered of the *internal* division of labour which could foster capital accumulation, on the one hand remaining faithful to the imperative need to increase productivity, and, on the other hand, endeavouring not to reduce the real wages of the workers, the channels through which the initial impetus could be obtained would be the following:

activities". In an essay on dependency written in 1966-1967 by Faletto and myself we placed emphasis precisely on the implications of this process. Baran touched upon it only tangentially. Analyses of imperialism dwell much more on questions linked to colonialism and to exploitation of the enclave type or of primary commodities than on industrialization with an eye to the domestic market. Even more recently, some writers have *continued* to see the relations between centre and periphery in the light of the old imperialist-exporter relationship.

³⁷ See again Raúl Prebisch: "Theoretical and practical problems of economic growth", *op. cit.*, p. 13. It should be noted, however, that in the same text Prebisch points out that the peripheral countries must make an effort to capitalize primary production in order to improve the level of living of the population, and that "formerly, foreign capital was the principal source of investment (in primary production), but it is now merely supplementary, though of considerable importance" (p. 7).

- control and reallocation of export earnings;
- diversion of resources from current consumer goods to the capital goods sector;
- supplementary –but large-scale– recourse to foreign capital in order to speed up both capital formation and technical progress.

The course subsequently followed by Prebisch –a subject which is beyond the scope of the present paper– was consistent with this outlook: promotion of international trade treaties of a multilateral type to protect the price of primary commodities (UNCTAD), and proposals for multilateralizing and increasing external aid, in order to secure that minimum of additional capital and technique required to guarantee a great leap forward in terms of industrialization and development.

(b) *Adaptations of CEPAL thinking to emergent situations*

The foregoing pages summarize in broad outline the ideas of CEPAL in its heyday.³⁸ Comparison with contemporary thinking shows the originality of the

³⁸ For an anthology containing the most important texts, see CEPAL, *El Pensamiento de la CEPAL*, Santiago, Editorial Universitaria, 1969. This anthology is also published in English as *Development Problems in Latin America: an analysis by the United Nations Economic Commission for Latin America*, Austin, Institute of Latin American Studies, University of Texas Press, 1970. To evaluate the way in which the “CEPAL teaching” was transmitted in the mid-1960s, see the lecture notes on economic development prepared by Osvaldo Sunkel and his collaborators (see also Osvaldo Sunkel and Pedro Paz, *El subdesarrollo latinoamericano y la teoría del desarrollo*, Mexico City, Siglo XXI, 1970, for additional ramifications of Latin American thinking).

CEPAL propositions, their sources and their limitations. Indubitably, however, the theoretical arguments put forward and the solutions proposed –although I have not analysed these latter in detail– reveal some capacity for reformulating theses and proposals in relation to a given historical situation. In this sense, it does not seem an exaggeration to say that there is a Latin American school of economic thought. To suppose that it did not draw nourishment from the classic models and their offshoots would be foolishly naïve. But it breathed new life into the theories it inherited, making them more ductile and more capable of interpreting any new situations that might arise.

As from the mid-1950s, approximately, changes took place in the pace and manner of international movements of capital and in the actual organization of international capitalist enterprises. These changes altered the pattern of relations between the centre and the periphery. I shall not give even a summarized account of this process here. Suffice it to point out that the activities of what subsequently came to be called the transnational corporations considerably increased. What is more, these enterprises –some of them former trusts converted into consortia and diversifying their investments on a world scale, while others were new organizations of a similar brand that came into being– stepped up *industrial investment in the periphery*.

Thus, after the Second World War, the ‘optimism’ of the marxist theorists as to the effects of capitalist expansion on the industrialization of the periphery was *apparently* justified. If up to the mid-1950s the struggle for the industrialization of the periphery had been, *at the same time*, an anti-imperialist struggle, because the trusts placed little

investment in the secondary sector of the periphery, from that date onwards industrialization *came to be regarded as an objective* of foreign capital in some of the peripheral countries.³⁹ The relations between public policies, State enterprises and foreign capital became more and more intensive and complex.

Awareness of this process, however, was slow to grow up in the Latin American mind. The policy of the United States Government, especially during the time of Kennedy and the Alliance for Progress, accepted part of the criticism implicit in the CEPAL analyses, *but changed their emphasis*. It brought to the fore the discussions on 'internal obstacles'—social and political—to development, and expressly sponsored more active forms of international co-operation through the creation of the Inter-American Development Bank, which began to finance health, land reform, road-building and other projects.

CEPAL was, up to a point, engulfed by this policy, and theoretically and ideologically almost foundered on it. The Punta del Este meeting of OAS in 1961 represented the zenith of American politico-social reforming zeal in meeting CEPAL criticism halfway. Topics formerly felt to be risky, such as land reform,

³⁹ With reference to this change in the relationship between centre and periphery, two or three studies by the present writer have appeared. A synthesis of the relevant ideas, in English, can be found in *Dependency Revisited*, Heckett Memorial Lecture, Austin, University of Texas, 1973; "The consumption of dependency theory in USA", in *Latin American Research Review* (in the press); "Dependent capitalist development in Latin America", *New Left Review*, vol. 80, pp. 83-95; and *Current Theses on Latin American Development and Dependency: a Critique*, Ibero-American Language and Area Center, New York University, Occasional Papers N° 20, 1976.

tax reform, planning, etc., were legitimated. But there was also temporary neglect of basic structural questions—the terms of trade, the disparity between centre and periphery in respect of technical progress and real wage levels, etc.—carried far enough for it to seem justifiable to say that CEPAL thinking at that time entered upon a phase of relative decline. The consistency and straightforwardness of its prime was succeeded by a period of increasing prolixity and theoretical vagueness in the CEPAL documents.

At the very time when the pattern of relations between centre and periphery was changing, in consequence of the investment of oligopolistic productive capital in the periphery,⁴⁰ Latin American economic thinking was noting in some of the region's economies a 'trend towards structural stagnation'—mistaking the recessive cycle which began in the early 1960s for a law relating to the difficulty, if not the impossibility, of peripheral development.

Thus a comeback was made, and this time in full force, by a tendency in the initial theoretical analysis which had formerly been relegated to a secondary plane, thanks to that proper concern for the dynamism of the capitalist system which had oriented the best of the CEPAL documents.

I drew attention earlier to the possibility that some of CEPAL's lines of analysis might develop in this direction. Nevertheless, up to the 1960s this had not been the mainstream of CEPAL thinking. It seems that the persistent leftist criticism (the 1957 theses of

⁴⁰ See CEPAL, *External financing in Latin America* (E/CN.12/649/Rev.1), New York, United Nations publication, Sales N°: 65.II.G.4, 1965.

Baran may be recalled) and the failure of industrialization policies to improve the population's level of living and to absorb the economically active population—in view of population growth, rural-urban migration and the initial impact of the capital-intensive style of industrialization—ended by shaking some of CEPAL's firmly-founded convictions, which were indisputably descended from classic economic thought (both liberal and marxist). The deterioration in the external balance-of-payments position during the early 1960s still further darkened the sombre hues in which the future was at that time envisaged.

It should not be supposed, however, that this swing of the pendulum represented a complete reaction against former ideas. The central theses remained, and there was even a recurrence of the theme of the *temporary* character of the need for external resources. Nevertheless, in the document which sums up CEPAL thinking in the early 1960s,⁴¹ *social aspects* were for the first time explicitly discussed and introduced into the explanatory model. Paradoxically, what might have aggrandized the theory was a disturbing factor where the analysis of capital accumulation and of development was concerned.

Why? Perhaps because the indirectness of the reference to class exploitation, which had never come to the fore in the original analysis, betrayed its shortcomings in the revised version. The targets of criticism were now the 'consumer propensities of the upper classes', the lack of social mobility that would

give economic leadership the benefit of new blood and the inequitable income distribution in underdeveloped societies, as if all these involved 'distortions' and obstacles insurmountable by *capitalist* development.⁴² The high-income market, the unchanging agrarian situation, luxury consumption, etc., would restrict the proper utilization of already-installed industrial capacity. The monopolistic structure of enterprises, flourishing under a protectionist régime, would aggravate these distortions.

Statistics showed that by the beginning of the 1960s the dollar value of exports *in per capita terms* had *decreased*, that the deterioration of the terms of trade had become more marked, and that agricultural exports had contracted because, as had been assumed in the 1963 document—"Towards a dynamic development policy for Latin America"—, international demand in this sector would seem to have declined in the wealthy countries (Engel's law), while there was no corresponding reduction in the periphery's industrial import requirements.

Unquestionably, these phenomena did really exist. Linking them up to explain the expansionist movement of capitalism, however, led to less felicitous interpretations, which maintained that *real* dynamism was lacking in the capitalist system and that it would be hard to obtain *real* development effects.

At this time it became fashionable to draw a distinction—ethical at bottom—between 'growth' and 'development'.

⁴¹ See Raúl Prebisch, *Towards a dynamic development policy for Latin America* (E/CN.12/680/Rev.1), New York, United Nations publication, Sales N°: 64.II.G.4, 1964. (Published in Spanish in 1963.)

⁴² It should be pointed out that Prebisch took into account the possibility and probably the necessity of making internal capital accumulation efforts which implied cuts in the level of consumption of the upper classes. But his presentation of the argument was not 'stagnationist' in character.

The latter process would occur only if there was an improvement in the distribution of income and property, which would permit fuller development of man himself. This, of course, was never an interpretation officially endorsed by CEPAL, but it was commonly adopted in Latin American critical thinking. The weakness of such a position lies in the fact that it confuses *socialist criticism* of capitalism with its non-viability. In the meanwhile, it was during that very period that the transnational corporations had launched an energetic process of capital accumulation in the periphery, precisely *by means of* exploitation recipes which contained all the ingredients criticized above. Pessimism was the keynote of the writings of the day. Yet in the decade 1965-1975, not only was world trade extremely dynamic, but the terms of trade, in some years, became *favourable* to agricultural and mining products.

Thus history built up a breakwater against the wave of pessimism that

flowed from confusions between reformist ideals – which were being disseminated in the CEPAL documents – and specific analysis of the development of capitalism. The incompatibility between this latter and the desired reforms gave rise to frustrations; nevertheless, despite ‘distortions’, the national product of the industrialized countries did not fail to grow, and technical progress was stepped up.

Even so, specifically ‘stagnationist’ hypotheses were formulated, slightly ‘sophisticated’ in tone.⁴³ Some CEPAL studies which do not go so far as to propound such hypotheses, do not omit to point out the effects of a low product/capital ratio on the style of development.⁴⁴ The fact that since then some Latin American countries have become subject to authoritarian political régimes has prompted many economists to lay critical stress on the obstacles to development and the disastrous consequences stemming from economic policies enforced in the countries concerned.

⁴³ See Celso Furtado, *Subdesenvolvimento e Estagnação da América Latina*, Rio de Janeiro, Editora Civilização Brasileira, 1966. Furtado sought to show that industrial production, in Brazil's case, was centred upon luxury goods, with a high coefficient of capital per worker in relation to the average density in the economy, and that this would lead to a drop in the product/capital ratio and to greater functional concentration of income. The lower product/capital ratio would have a depressive effect on the rate of profit, would act as a disincentive to investment and would reduce

saving. Given an abundant supply of manpower and a high capital/labour ratio, income concentration would follow and the existing model would be self-perpetuating. However, Furtado's description of the typical contradictory effects of capitalist development (external debt, inflation, lack of consumer capacity among the masses, etc.) is very helpful and enlightening.

⁴⁴ See, for example, Maria Conceição Tavares, “The growth and decline of import substitution in Brazil”, *Economic Bulletin for Latin America*, vol. IX, N° 1, Santiago, March 1964.

IV Innovative Ideas Again?

(a) *The 'malignant'* development style*

The theoretical crisis suffered by CEPAL's interpretation, with its insufficient understanding of the changes that were taking place in the world economy, did not, however, mark a purely negative phase. Not only must it be remembered that during this interval CEPAL as an institution continued to produce substantive reports,⁴⁵ but it was also at this time that a reevaluation of social criticism took place. Studies on income distribution—which were among CEPAL's continuing activities—and analyses of the relationship between technical progress and social welfare assumed major importance. The most creative contribution in this line of thought was that of Aníbal Pinto,⁴⁶ stressing the *internal* inequity of the distribution of the fruits

*'Perverso' ('perverted') in the original Portuguese text. (Editor's note.)

⁴⁵ In addition to the annual surveys—and confining myself to economic analyses—I would refer to two important studies:

- (a) *The economic development of Latin America in the post-war period* (E/CN.12/659/Rev.1), United Nations publication, Sales No: 64.II.G.6., November 1963;
- (b) *The process of industrial development in Latin America* (E/CN.12/716/Rev.1), United Nations publication, Sales No: 66.II.G.IV, December 1965.

⁴⁶ See Aníbal Pinto, "La concentración del progreso técnico y sus frutos en el desarrollo latinoamericano", *Trimestre Económico*, No 125, Mexico City, Fondo de Cultura Económica, January-March 1965; and "Heterogeneidad y modelo de desarrollo reciente en la

of increased productivity. Pinto specifies the meaning he attaches to the 'structural heterogeneity' of the Latin American economies as differing somewhat from the dualist conceptions. He sees it as the result of social marginalization and of a development style based on poles of modernization, which brings about a threefold concentration of the fruits of technical progress, at the social level, at that of the economic 'strata' and at the regional level.

While recognizing that there had been a recrudescence of foreign investment, Aníbal Pinto nevertheless reasserted that the motive power behind development was still the domestic market. Some exponents of the 'dependency theory' had already shown that there was now no contradiction between foreign investment and domestic demand—other than those common to any capitalist development—, since the transnational corporations which invested in the durable consumer goods sectors depended upon an internal market. Aníbal Pinto acknowledged—without expressly saying so—that stagnation was

América Latina", in *Inflación: Raíces estructurales. Ensayos de Aníbal Pinto*, Mexico City, Fondo de Cultura Económica, 1973. A Brazilian translation of the latter appeared under the title of "Heterogeneidade estrutural e o modelo de desenvolvimento recente", in José Serra (ed.), *América Latina, ensaios de interpretação econômica*, Rio de Janeiro, Paz e Terra, 1976. The introduction by Serra, "O desenvolvimento da América Latina: notas introdutórias", is an excellent guide to analysis of the period.

obviated by this model,⁴⁷ whose dynamism was founded no longer either on the 'traditional' or on the 'basic' sectors of the economy, but on the production of durable consumer goods, such as cars, refrigerators, television sets, etc.

What he does expressly affirm is the existence of a 'malignant style' of development —to borrow the term used by Ignacy Sachs—, which *does not imply*, at the national level, the 'trickle-down' effects produced by investment and by economic growth. The Latin American development style would seem to be 'concentrative and exclusive'.

This point of view, empirically recognized and previously enunciated in the critical writings of sociologists and economists, gave rise to innumerable studies and analyses, which stressed the inadequate capacity to absorb manpower that characterized the current type of industrial development, and its effects on the concentration of income.

In its *Economic Survey 1968*, CEPAL took note of the discussion and summarized the current interpretations. Pedro Vuskovic⁴⁸ followed the same line of theory and criticism as Aníbal Pinto, giving it in addition somewhat 'catastrophist' connotations with regard

to the employment capacity generated by this style of development and to the investment capacity of the Latin American economies.

The present article is not the place for a detailed review of the evolution of CEPAL's ideas after the formulation of the concept that a malignant development style was prevalent.⁴⁹ What does seem worth stressing is the following point. The diagnosis of the earliest years presented a brilliant picture in comparison with the first reformulations at the beginning of the 1960s and the misguided pessimism of the same period. But *from the standpoint of a more radical criticism* of capitalist development itself, the 'stagnationist' misconceptions and the mood of pessimism (shown by the more dynamic situations, like that of Brazil in 1968-1975, to have little foundation in fact) gave rise to doubts and intellectual unrest which, from the second half of the 1960s onwards, broadened the horizon of perception as regards the social nature and the effects of capitalist development. The essays by Aníbal Pinto and Pedro Vuskovic, cited as examples, indicate the direction thenceforward taken by CEPAL-inspired Latin American thought.

⁴⁷ For a general critique of the 'stagnationist' hypothesis see Maria Conceição Tavares and José Serra, "Além da estagnação: uma discussão sobre o estilo de desenvolvimento recente do Brasil", in José Serra, *op. cit.* The original version of the study is dated 1970. As far as I know there was no explicit theoretical criticism prior to this.

⁴⁸ See Pedro Vuskovic, "Concentración y marginalización en el desarrollo latinoamericano", 1969; and "Distribución del ingreso y opciones de desarrollo", in José Serra (ed.), *Desarrollo latinoamericano: Ensayos críticos*, Mexico City, Fondo de Cultura Económica (*Lecturas*, N° 6), 1974. (This study was originally issued in 1970.)

(b) *Structural dependency*

About halfway through the 1960s, both inside and outside CEPAL another line of interpretation —more sociological

⁴⁹ Vilmar Faria presents a sound and detailed analysis of this evolution. See his Ph. D. dissertation, "Occupational marginality, employment and poverty in urban Brazil", Harvard, 1976, especially pp. 41-49, and, for a summary of 'stagnationist' points of view in CEPAL, pp. 37-40.

and political— was initiated; although not immediately incorporated into the thinking of the institution itself, it was to appear later on in the writings of Vuskovic, Celso Furtado, Osvaldo Sunkel and others, and came to be known as the 'dependency theory'.⁵⁰

The subject was approached from several angles. As was pointed out in another study,⁵¹ the initial versions produced in CEPAL itself, between 1965 and 1966, again raised the question of why peripheral industrialization did not have its logical effects on the course of development, and in supplying answers, laid emphasis on certain contributory factors:

- the first relates to the placing of foreign investment in the sector producing durable consumer goods (as seen above), with the result that the accumulation cycle has had to be completed at the world level, since keeping up the pace of economic growth implies expanding imports of capital goods;
- specifically, this process means that despite the industrialization of the peripheral economies, the sector producing capital goods (Department I in marxist language) continued to operate in the central countries. Accordingly, the dynamism deriving from investment in the domestic

⁵⁰ A preliminary version of a study on dependency in relation to development was presented by me in ILPES in 1965. Following upon this report, Faletto and I published *Dependencia y Desarrollo*, Mexico City, Siglo XXI, 1969, of which the first complete mimeographed text had been circulated in 1967.

⁵¹ See F. H. Cardoso, "O consumo da teoria da dependência nos USA", Princeton, 1976 (mimeographed text). This study is to be published in English in the *Latin American Research Review*.

market spread to the centre, so that the cycle of capital expansion could be completed. There is no obvious reason to believe that this is a rigid and insuperable obstacle, but up to now the crucial advances in technology and the financial backing needed to achieve them have been secured only by the industrialized countries;

- this implies that the central and peripheral economies are 'interdependent', but through a specific asymmetry which *once more raises* the question of a possible deterioration of the terms of trade, if, in the industrial sectors, real wages and productivity should differ in the centre and in the periphery.

Hence, the immediate inferences to be drawn are, in brief, as follows:

- the form of capitalist expansion which I have elsewhere called 'dependent and associated development' is not without dynamism;
- but the fact that this dynamism is only partial *once again poses* the international balance-of-payments and asymmetry problems stemming from disparate development of the forces of production and from different rates of profit or wages (therefore, of exploitation);
- thus neither the 'development of underdevelopment' theory nor that of 'stagnationist' hyperexploitation holds good;
- but it is hard to accept hypotheses which suggest that an expansion with effects similar to those that occurred in the centre will take place in the periphery, as used to be the belief both of some marxists who trusted in the revolutionary force of capitalist development and of certain thinkers whose analyses were

oriented by the so-called 'modernization' theories.

The foregoing paragraphs sum up the postulates of what was not the only, nor even perhaps the most influential version of 'dependence' theory. There were other variations on the theme just as 'stagnationist' and catastrophist as some of the CEPAL hypotheses previously criticized, or even more so. And there were likewise interpretations couched more in terms of 'national dependency'

and of the difficulties relating to 'external dependency' than had been the 'structural dependency' version which I have sketched in very broad outline above.⁵²

Be that as it may, however, these studies sought to analyse in greater depth some of the elements already contained in the CEPAL interpretations and to elucidate both the foreign capital question and the class basis of capitalist development.

V

Another development

Lastly, in this already lengthy account of some of the contributions made to Latin American thinking, and of the difficulties arising, yet one word more must be said on the 'criticism of criticism'.

The dissatisfaction aroused by the 'malignant' style of development also paved the way for a more sociological analysis of the effects of capitalist expansion. As from the time of Medina Echavarría's earliest studies, CEPAL sought to improve upon the tone of formal rationality with which analyses of development were content. Marshall Wolfe and his collaborators followed this style of interpretation of development,⁵³ in opposition to the 'unified

development' approach which came into vogue in the United Nations.

Instead of accepting the new version of a necessarily balanced pattern of development, such as has been proposed in some United Nations Economic and Social Council documents, Wolfe and other CEPAL sociologists contend that the capitalist development process is inherently contradictory. The earlier controversy between theories based on the idea of balance and others that stress —like Hirschman's— the disequilibria deriving from development crops up again in the context of sociological discussion.

Pursuing the same line of thought, some CEPAL reports expressed a critical view of the possibility that there may be non-contradictory roads to development, such as those envisaged by the proponents of a 'new international economic

⁵² For the development of these ideas, see F. H. Cardoso and Enzo Faletto, *Dependencia y Desarrollo en América Latina*, *op. cit.*

⁵³ See Marshall Wolfe, "Approaches to Development: who is approaching what?", which embodies the gist of his principal studies during the last 15 years; and Jorge Graciarena,

"Power and development styles". Both these articles appear in *CEPAL Review* N° 1, First Semester 1976, Santiago, Chile, United Nations publication, Sales N°: E.76.II.G.2.

order' and a 'self-reliant' style of development —egalitarian, not bedazzled by technological progress, and respectful, moreover, of the ecological limits of mankind—, concepts which were received with some scepticism by the CEPAL experts.⁵⁴

Not that the generosity of those who propose 'another development style' is incompatible with the humanistic creeds of certain sectors of Latin American critical thought. But, since this thought inherits, in a broad sense, the legacy of the classical school (liberal and marxist, with all the inherent contradictions), however adulterated it may be by the heterodox ideas which enriched (and confused) CEPAL's contributions, it finds difficulty in accepting the libertarian utopianism from which the new critics draw their sustenance. Between perplexity and mistrust, CEPAL 'westernism' is only beginning to ruminate concepts and values still profoundly alien to it.

In one of his most eclectic texts (*Change and Development: Latin America's great task*, published in 1970) Prebisch managed to digest several of the theses in vogue: the problem of the population explosion, the ill-effects of capital-intensive technology, dependency, occupational distortions, etc. But in a recently-published article entitled "A cri-

tique of peripheral capitalism",⁵⁵ he retraces his theoretical course, in a sort of reaffirmation of the 1949 Manifesto, *amplified* to include such pertinent themes as dependency, inequitable distribution of the fruits of technical progress, democratization. The text virtually does not step out of what I would venture to call the 'classic' line of CEPAL. In this sense, it does not embrace purely *ad hoc* topics or interpretations. Questions relating to 'another development' are not incorporated.

Perhaps this is a drawback of rationalistic pragmatism. But it may well be the wariness of a school of thought which, having attempted to produce ideas in the context of a given historical situation, with the aim of finding ways out of structural impasses, does not want to repeat the mistake of confusing the circumstantial with the fundamental, the cycle with inexorable one-way trends, fashion and rhetoric with central problems of society and of knowledge.

This attitude does not make CEPAL's ideas a banner of revolution, but it does at least assure them a measure of consistency, and, while leaving them open to criticism from more radical points of view, precludes the possibility of doing with them what Marx always refused to do with Hegel's thinking: treat it as a 'dead pup'.

⁵⁴ See the stimulating paper by José Medina Echavarría, "Las propuestas de un nuevo orden internacional en perspectiva", (CEPAL/DS/

148), November 1976 (mimeographed text only).

⁵⁵ See *CEPAL Review* N° 1, *op.cit.*, pp. 9-76.

Conclusions

Comparison of CEPAL's studies on international trade and development with the conceptions prevailing in the academic world of that time (the 1950s) shows that there was originality in the CEPAL formulations. Subsequent criticism, although recognizing, in general, the progress made by CEPAL in relation to the neoclassical and marginalist theories, sought to play down the novelty of Latin American thought, by demonstrating that its theoretical propositions fell short of what Marx had said a century before. This argument may be sound as far as accumulation theory is concerned, but lacks historical perspective when it bears on the problems created by the industrialization of the periphery and the restrictions imposed upon that process by the prevailing theory of international trade. The CEPAL theses have obvious roots in classic economic thought and in marxism, and are permeated by the language of Keynes. This ambiguity makes it difficult to determine the theoretical framework in which the analysis is developed.

The originality of CEPAL's thinking, on the other hand, did not consist merely in stressing the existence of a tendency for the disparities between nations to be reproduced through international trade, and accounting for it by the differences between the centre and the periphery in respect of wage levels and degrees of technical progress. This

alone was already enough to constitute an analytical outlook more comprehensive than that implicit in the alternative formulations current at the time. But CEPAL's originality lies also in its effort to convert this interpretation into the matrix of a whole set of policies to promote industrialization. In this sense, CEPAL's thinking generated *ideologies* and motivated action, opening out towards political practice. For that very reason, it became easier to see the weaknesses of an analysis which pointed to the causes of inequality, but stayed its criticism on the threshold of the subject, without exposing the class content of economic exploitation as between centre and periphery and within the periphery itself.⁵⁶

At the theoretical level proper, the originality of the CEPAL version of development theory was more implicit than explicit. During the same decade in which it was formulated, some Cambridge economists were devoting themselves to theoretical criticism of the concept of the 'production function' and to reviewing accumulation theories. In 1960, Piero Sraffa published a book entitled *Production of Commodities by means of Commodities*, intended to bring about a new 'return to the classics'.

⁵⁶ For what is, in my view, the most challenging of the criticisms voiced, see Francisco de Oliveira, "A economia Brasileira: crítica à razão dualista", *Estudos CE/BRAP*, N° 2, São Paulo, October 1972, pp. 3-82.

In the studies referred to, especially Sraffa's, it can be seen how some of the problems linked to value theory and relative prices – problems implicit in the CEPAL analysis – could be dealt with rigorously by making a thoroughly searching critique of marginalist theories.

The truth is that Sraffa returns to Ricardo, shelving Marx's criticisms of him. He also sets aside the theory of exploitation and its implications for the class struggle in order to concentrate on showing the relations between values and prices and the problems of choosing technologies. But the fundamental consequence of Sraffa's work was his radical criticism of the neoclassical theses on the 'aggregate production function'.

It theoretically resolved the problem of establishing a standard measure of value, and made a devastating attack on neoclassical 'aggregate production function' theory.⁵⁷

Despite the non-existence of intellectual interaction, there are points of contact between the 'Cambridge school's' criticism of the neo-classical theories and CEPAL's criticism of the theory respecting the factors of produc-

tion and the optimization of profits through relative prices at the level of international trade. The theoretical premises of the Cambridge school do not cover analysis of income distribution in the international market, but they could, if redefined, afford a better explanation of the theoretical repercussions of CEPAL's criticism of the neoclassical theories of economic growth. If the CEPAL texts are more comprehensive than those of the Cambridge school in their interpretation of the reason for inequalities – since they include trade union conflicts and politico-institutional factors in the determination of wages, and, implicitly, class exploitation – they fall far short of their own theoretical possibilities as regards the analysis of the relations between capitalist development and income distribution, and between international trade and the factors of production. Instead of focusing their interest on theoretical questions, the CEPAL economists confined their attention to practical problems.

In the CEPAL analyses there may be found side by side, and unintegrated (as the language used denotes), classical, marxist, Keynesian, neoclassical and purely marginalist explanations of market price mechanisms and economic growth. The scant attention paid to economic theory – understandable in the historical and institutional context, but not justifiable – has made it difficult for the originality of the CEPAL interpretation of under-development and international disparities to be recognized by the international economic world. The time has come to review the appraisals made and to acknowledge that even if it did not expound its discoveries in theoretical terms, the CEPAL school put forward sound criticisms of neoclassical theory respecting international trade. To

⁵⁷ It is beyond the scope of the present article to dwell in greater detail on this subject, which, moreover, is outside the field of competence of a sociologist. What Sraffa proves is the weakness of the neoclassical assumption that the ratio between product-per-man and capital-per-man can be measured for the economy as a whole without taking value into account, since the physical goods measured are heterogeneous. Consequently, it is essential to ascertain *relative prices*, which, over the long term, *depend* on existing technical conditions, on the relation between consumer and production goods and on the distribution of the product between capital and labour. It is impossible, therefore, to 'optimize' the 'factors of production' as if capital, wages and technology were given, and were 'profitable' in accordance with a technical relationship between them.

recast them, with the aid of Sraffa's theoretical tools, is a tempting task for economic theorists who want to make use of old models in order to say new things.

The restatement of ideas in new contexts, far from being a purely repetitive process, implies an enrichment. If there is any world in which the image of perpetual motion is meaningless, it is the world of thought; the passage of the 'same' idea through a different historical and cultural universe turns it into a different thing. It seems to me that the ideas formulated by CEPAL constitute, in this sense, a good example of originality; they dealt with questions which had to be faced in order to tackle the practical economic problems arising, and, although they were based on analytical instruments fashioned in other settings, they had to recast these for the purposes of explaining an inequitable international trade situation and justifying policies favourable to the industrialization of the periphery. If more was not done it was because, as I have stressed, the critical radicalism of CEPAL was placed under constraint by its politico-institutional position — after all, it is an inter-governmental organ — and because it lacked the intellectual *élan* to propound the themes it tackled in the perspective of an economic theory of the accumulation process. My mention of recent 'Cambridge school' developments was intended only to show that even within CEPAL's narrow political

and institutional bounds, and without taking marxist critiques as a starting-point, criticism of the conventional academic economics prevailing then (as today) could have been pursued farther and along stricter lines.

To say that an intellectual analysis might have been carried farther, however, does not imply any denial of the advances it represents. On the contrary, I think it is proper to a sound theory to leave the reader's mouth watering. Only the dogmatic are intent on closing the circle of knowledge; only they produce systems which create the illusion that they are like the ancient Sphinx who said "Read my riddle, or die". Creativeness in the realm of science is measured by the craving that a theory arouses in its followers to advance beyond it while, in doing so, feeling the need to say: Without this short cut, I could not have found the opening through which I have been able to see farther ahead. CEPAL produced ideas which, in their time, contributed to the understanding of some of the crucial problems of capital accumulation in the periphery and some of the obstacles in its way. For these ideas no epitaphs need be written. They have undergone changes and moulted their plumage, as *idées-force* often do; but they have continued to survive, sometimes in other institutions or with other shades of colour, while at the same time, as usually happens with all scientific interpretations, the dead tissue has been sloughed off by the wayside.