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## Review

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## CONTENTS

The Latin American economy during 1984: a preliminary overview. <i>Enrique V. Iglesias</i>	7
The transnational corporations and Latin America's international trade. <i>Eugenio Lahera</i>	45
The subsidiary role of direct foreign investment in industrialization: the Colombian manufacturing sector. <i>Michael Mortimore</i>	67
Stabilization and adjustment policies in the southern cone, 1974-198\$. <i>Joseph Ramos</i>	85
Rural development and urban food programming. <i>Manuel Figueroa L.</i>	111
Dependent societies and crisis in Latin America: the challenges of social and political transformation. <i>Germán W. Rama and Enzo Faletto</i>	129
Culture, discourse (self-expression) and social development in the Caribbean <i>Jean Casimir</i>	149
Legal aspects of the Latin American public debt: relations with the commercial banks. <i>Gonzalo Biggs</i>	163
Recent ECLAC publications	189

# Dependent societies and crisis in Latin America: the challenges of social and political transformation

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The authors propose an analysis of dependent economies and societies in Latin America. They begin by discussing current forms of dependency, both in terms of the internationalization of the domestic market and in terms of structure of dependent capitalism. They present certain hypotheses concerning the economic crisis, relating it to the problems of growth and development when these depend on technological renovation and on financing from the centres.

They then discuss the structural changes that have taken place in the region as a result of its dependent development, relations between included and marginal sectors, and transformations in the groups belonging to the "modern" social structure, especially the subordinate ones, since their orientations are especially important when it comes to deciding on options for dealing with the crisis.

In the third place, they examine the question of the political crisis in the light of the social crystallization of dependencies of previous periods. Populist and reformist efforts and revolutions from above have shown up the contradictions that must be dealt with by dependent capitalism in trying to stabilize the social system and create conditions for social and political citizenship.

Finally, turning to the political problems of a new development option, they discuss the different relationships between the State and the social actors who must transform themselves in order to make it possible for an alternative project to be developed which includes not only the contradictions arising from the interaction between the rationale of accumulation and that of distribution but also the transformation of society itself.

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## I Current forms of dependency

### 1. *Internationalization of the domestic market*<sup>1</sup>

It is generally agreed that the most significant phenomenon of dependency during the period beginning around 1965 has to do with the fact that the economic centre acts not only through its control of the import and export system, but also through its direct or indirect investments in national markets. Since then, in many countries, the pace of development has been set by foreign investment; one of the most important sectors in which this has happened has been the industrial sector.

The presence of foreign capital linked to the domestic market was reflected in the strong influence of the centre over capital movements, as well as over basic economic decisions. Moreover, although production and marketing took place within the sphere of the dependent economy, their main effect was to increase the mass of capital available for the central economies. By the same token, there is no question that investment decisions were closely linked to external decisions and pressures. The phenomenon of transnationalization significantly influenced the reinvestment of profits generated on the national markets. Corporations had the option of choosing to transform their economic benefits into capital, which could then be invested in the central economies or in dependent economies other than those which had generated the profits.

The expansion of capitalism was also affected by the introduction of a style of industrialization that was based on labour-saving technology. In addition, domestic investment seemed inadequate, either because the domestic

<sup>1</sup>See Cardoso and Faletto (1979). For purposes of analysis, and in order to give an idea of the complexity of the process in Latin American societies, the authors have decided to divide their comments into three areas, i.e., the economic, the social and the political aspects of dependent societies. The authors are aware of the conceptual problems involved in this approach, but feel it is the most suited to this attempt to reconstruct the scenarios of the crisis of dependency of Latin American societies.

savings capacity was weak or because the sector which should have been accumulating or investing was more inclined towards consumption.

These arguments were refuted with the allegation that, however real the aforementioned problems might be, most of them had originated in the contradictions that were inherent to capitalist growth, as reflected in the "dependent capitalist" form of development. It was noted that the existence of contradictions was not an obstacle to capitalist development, but rather a condition of that development. What was stressed was that, given the progressive and cumulative nature of the capitalist system, and the price paid for destroying important generations and sectors of the exploited classes, the specific feature of this system was its capacity to grow in a spiral, transforming social relations of production as a result of the increases in the level of accumulation and the development of the forces of production (Cardoso, 1980a).

Nevertheless, a simple look at the Latin American situation will reveal that several issues are involved. The annual growth rate of the GDP for the period 1950-1978 was 7.0% for Brazil, 5.8% for Venezuela, and 5.2% for Mexico; however, it was 2.6% for Chile, 2.4% for Argentina and 1.6% for Uruguay. The growth rate of the industrial GDP for the same period was 8.5% for Brazil, 6.4% for Venezuela, 7.3% for Mexico, 3.7% for Chile, 4.1% for Argentina and 2.7% for Uruguay. In Argentina, Chile and Uruguay, it tends to go down or to remain stagnant (Fajnzylber, 1983).

As always, when one sees the specific results of dependency, one is led to analyse the domestic context in which it occurs, since any response to the problems of dependent development will depend, to a certain extent, on how the different local units are articulated; in other words, one must determine what are the specific elements of dependency, although this still does not answer the question of what dependent capitalism is in general.

Development related to this type of dependency entailed heteronomy and partial development—despite the growth of the domestic market—and it thus became possible to speak of industrialized and dependent peripheral countries. What is important is that the relationship between the national economy and the dynamic

centres of the central economies was established within the domestic market itself.

In many cases, the new linkage did indeed involve the transfer of modern organizational systems and production techniques, but this had implications for the autonomy of the national economic system and development policy decisions. The capital, the techniques and the organization that were transferred from the centres provided a new axis for organizing the national economy. It could be said that, in extreme cases, the mechanisms for controlling the national economy tended to be reduced as a result of the imposition of certain norms pertaining to the functioning of the international production system. This restricted the sphere of action and the autonomous decision-making capacity of local groups.

As regards the political aspect, the dominant groups found it necessary to reorganize the domestic system in order to facilitate the establishment of the new modality of dependency and thus ensure their participation in power.

a) *The controversy about dependency and capitalist development*

As was to be expected, the question of dependency (Cardoso, 1980a) gave rise to heated controversies about the character of and the prospects for the development process in Latin America; many different issues were discussed, including that of the viability of capitalist development in the periphery. Among the elements mentioned as structural obstacles to the expansion of capitalism were those which limited the growth of the domestic market, especially the persistence of a restrictive rural structure and the growing tendency towards a concentration of income.

b) *Dependent industrialization and technological dependency*

Fajnzylber (1983) refers to a sort of "cumulative virtuous causation" in which growth, technical progress and industrialization are all linked together. The driving force of this causation is said to be the sector producing capital goods, to the extent that it is the bearer of technical progress and influences the productivity of labour

and investment and, consequently, the international competitiveness of a national economy. The greater or lesser development of this sector is, in Fajnzylber's opinion, what makes the difference between an advanced industrialized economy and a semi-industrialized one.

Nonetheless, the difference is not an arbitrary phenomenon. Although, as mentioned before, the new dependency is characterized by foreign investment and the presence of foreign capital on the domestic market and in the industrialization process, this does not mean that there will be every type of industrialization in every case. In terms of the international economy, the central economies tend to concentrate on high-technology sectors, and this means that technology is not controlled by the periphery; more important, however, is the fact that the industries that are set up in Latin America are technologically dependent on the more advanced ones.

The very existence of technological dependency has several implications. Usually, labour-saving technologies are used and this obviously affects the absorption of the labour force and encourages the dissemination of styles of consumption that follow<sup>1</sup> the patterns of the international market. Indeed, in the less developed countries, this type of market is limited to certain sectors of the population, i.e., the middle and higher-income sectors.

Two phenomena are worth mentioning in this respect. The first one has to do with how dependent industrialization is related to the economy as a whole. By its very nature, industrial capitalism entails the creation of new economic and social relations, i.e., the development of the bourgeoisie, the transformation of the middle sectors, the emergence and development of the proletariat, etc.; this may be seen in several Latin American countries. Inherent to it also, however, is the capacity to transform the economic system as a whole. Nonetheless, this modality of dependent industrialization tends to limit transformation to the so-called "privileged consumer society". Moreover, the industrial sector is still a sort of satellite of the centre, since the latter, through its control over technology also controls the dynamics of the former.

The second aspect has to do with the fact that the expansion of the industrial sector no only

increases technological dependency but usually entails a strong financial dependency as well. In order to acquire the necessary technology, a country must have access to capital and quite often, this can only be obtained through external credit and indebtedness. The linkage of the national entrepreneurial sector with foreign enterprises thus tends to be reinforced, since it is from the foreign enterprises that the local ones obtain the desired technological renovation and, particularly, the financing they need in order to have access to that technology.

### c) *Financial dependency*

There is no need to discuss again the various mechanisms which worked together to create a strong external dependency on credit, both public and private; we have already mentioned the relationship between technological dependency and indebtedness, but the liquidity of the international market, the recirculation of petrodollars and similar events also played a part. Tavares (1972, pp. 214 and 215), in referring to the case of Brazil, mentions the expansion and diversification of debt and credit relationships among the more dynamic sectors of the economy, an expansion which was much greater than the growth of the means of payment. What happened in Brazil has also happened in many others countries. Indebtedness occurred: i) within the private sector (enterprises and consumers), as a result of the indirect intermediation of financial enterprises; ii) between the private sector and the public sector; iii) between the private sector and the exterior, with the heavy influx of short-term capital and with public and private financial intermediation.

The same author, basing her arguments on Hilferding, describes the effects of the predominance of financial capitalism on the economy as a whole. These would be as follows:

i) Financial accumulation is made possible by the creation of fictitious capital through the issuance of securities whose value depends on speculative transactions, in connection both with their issuance and with their circulation on the secondary securities markets.

ii) The functions of the entrepreneur as such are separated from those of the capitalist, who acquires rights of ownership over the rent pro-

duced and takes charge of its accumulation. Using it as Financial capital, he can either recon-vert it into productive capital or apply it in more profitable sectors, one of which may be the financial sector itself.

As the hegemony of financial capital over industrial, commercial and bank capital is established, there is a greater centralization and, consequently, financial capital tends to accentuate the monopolistic bent of capitalism and control the overall accumulation process. Hence, this type of capitalism is speculative in nature, the production sector is subordinated and there is a trend towards oligopolistic concentration; in addition, most of the financial capital usually comes from abroad.

Another important fact is worth mentioning. S. Lichtensztein (1983) stresses that in capitalism, the economy evolves from a monetary to a credit economy. In this regard, he states, it can be said that the financial markets are relatively independent as regards the amount of money needed for mercantile circulation and the circulation of rents; on the other hand, they become increasingly dependent as regards the needs originating in the circulation, concentration and centralization of money-capital as such. Control over high-powered money, be it pesos, cruzeiros or dollars, thus becomes an apparent and often anachronistic symbol of autonomous national monetary power. It is easy to surmise what effect this phenomenon has on the State's capacity to regulate the economic process.

## *2. Structure of dependent capitalism and crisis*

There is some consensus that the problems of the development of dependent capitalism are closely related, on the one hand, to dependency in the strict sense of the word, as noted in the areas of finance (loans, debt, credit, etc.) and technological dependency (production goods that must be imported). On the other hand, this type of capitalism tends to form a domestic market which is strongly influenced by the demand of the high-income sectors, so that pressure is generated for the production structure to be geared towards the production of goods that will meet that demand; the financial mechanisms—credit and others—very often help con-

centrate the supply for trade in the same direction. To this is added the traditional dependency of the export sector.

Because they are so closely linked to the exterior, the dependent economies are extremely vulnerable and any interruption in the process of circulation, within the context of the internationalized economy with which it is integrated, can affect the entire economy. Nevertheless, although vulnerability is in itself an important problem, it is not the only one. The internal structure of a country often has much to do with the particular nature of the crisis it experiences.

The part that is played by the profit motive in a capitalist economy cannot be overlooked. If the differences in the profitability of the different sectors of the economy are substantial, the logical reaction is to transfer capital to the most lucrative sector. In many Latin American countries, interest in money as such grew more than the profitability of some sectors of production; capitalists withdrew the money they had placed in those sectors and reinvestment was thus postponed. Factors conducive to crisis were thus generated in the production sector; their effect may have been concealed somewhat because of the high profits gained, particularly in the financial sector. Moreover, financial speculation, which became international in scope, fostered the massive transfer of capital to the exterior.

Simply stated, financial speculation discourages investment and this leads to crisis. It is sometimes thought that depression is the remedy for such maladies. Depression, which brings in its wake unemployment, a drop in wages and a depreciation of capital values (e.g., a decline in the value of stocks) can promote reinvestment in the production sector, thus reinitiating the cycle.

It should be borne in mind that the problem of lack of profitability in the production sector is caused mainly by the cost of money or of equipment and machinery. Financial dependency and the internationalization of this sector make it difficult to act on the value of money; the same may be said of technological dependency with respect to the value of machinery and equipment. The only mechanism on which it is possible to act, particularly at the entrepreneurial level, is that of wages, but a reduction of wages is fundamentally a mechanism used to compensate for the dif-

faculty of acting in respect of the other mechanisms mentioned above.

A second aspect of the phenomenon of crisis has to do with the longstanding controversy concerning the danger inherent in unplanned capitalist production. In Latin America, it was usually the State which helped, with its policies, to maintain a certain balance between the different sectors of economic activity, or at least tried to correct the errors and attenuate the effects of the disequilibria. During the 1970s, for various reasons—some ideological and some relating to more structural aspects, such as the increased independence of entrepreneurs in respect of State policies (an independence gained by having direct access to external and domestic credits)—the regulatory capacity of the State was diminished in many countries. In addition, many countries began to use the United States dollar as a second currency in their domestic economies. Thus, it was very difficult for the State, to implement, through its monetary policies, measures that would act on the economy. Moreover, because of the magnitude of the dollar area, there were many cases in which forced reconversion would lead not only to economic conflict but to serious political conflict as well.

Evidently, the problem of making a country's economy function is not only one of maintaining the necessary balance between different factors and components; economic growth also involves increasing consumption, constant capital and the labour force, to mention only a few of the most obvious factors. This means that more means of production and of consumption must be pro-

duced than those required for replacement. When there is no planning, or when the signals of the market are confusing, maladjustments between the different components of the economy can lead to friction and untenable contradictions. The problem is much more serious when many of the decisions which affect the economy are made outside the country and are beyond its control.

The problems mentioned above are important, but it must not be forgotten that the key issue in an economy is always that of its potential for growth. If the dynamics of Latin American capitalism is closely linked to the dynamics of central capitalism, one would expect—and some do—that the recovery of the centre would make it possible to resume the cycle, even though the social cost might be high during the recessive period. But other, more autonomous options may also be considered. One possibility is that offered by new forms of insertion in the external markets, despite the difficulties this entails. As regards the domestic market, it would appear that consideration should be given to reorienting production with a view to meeting the demand of groups which were not favoured under the previous system, i.e., mainly the popular groups, the working class and the middle sectors. This obviously presents a great challenge, both because it becomes necessary to reorient the structure of production and because the issue of State management becomes a crucial one. In addition to presenting an economic problem, this presents a serious political problem and requires the articulation of social groups and classes.

## II

### New dependency, structural transition and social groups

#### 1. *Transformation of the social structure. Towards a new dualism'?*

In the structural transition of the region, the dependent type of development has conditioned the capitalist modality of transformation and has created social groups that shape both the social structure and the power structure.

As a result of the rapid decline of mortality and the slow rate at which natality changes (due to the persistence of previous cultural patterns), the population of the region has doubled during the thirty years following 1950. At the same time, as a result of production and urban consumption patterns and of the impact of capitalism on agriculture, by 1980, the urban population

accounted for two-thirds of the total population.

The per capita gross domestic product, in 1970 dollars, rose from US\$ 439 in 1950 to 1 007 in 1980. The growth rate for Central America, Bolivia, Haiti and Peru, whose levels had already been quite low, was minimal; the Southern Cone countries, which had started at a high level, also grew at a low rate; Costa Rica, Panama, Venezuela and Mexico experienced a considerable increase, and Brazil, Ecuador and Colombia, starting at low levels, saw their per capita GDP grow rapidly.

During the period 1950-1980, agricultural occupations fell from 53.7% to 33.7% of the total—even in countries having a high degree of urbanization, such as Argentina, where the absolute volumes fell to 14%—while secondary occupations rose by seven points and tertiary occupations by twelve points (see table).

At the same time, the participation of manual wage-earners in the transformation industry has fallen with respect to that of non-manual wage-earners in the secondary and tertiary sectors. In Brazil, the latter increased from 80 to 99 out of every 100 non-agricultural manual wage-earners and in Argentina, it rose from 76 to 98. In Chile, the figure jumped from 57 to 105 and in Peru, from 78 to 160. In some cases, the explanation is to be found in the advance of technology in the production of durable consumer goods; in others, the phenomenon is a specific result of policies leading to de-industrialization and spurious tertiarization.

The situation is different in the top occupational categories. In Brazil, the categories of employers, managers, professionals and technical workers rose from a minimum of 2.2% of the entire economically active population in 1950 to 10% in 1980; in countries having a modern employment structure, such as Argentina, they rose from 12.2% to 15.6%.

These changes have gone hand in hand with the expansion of secondary and higher education, which has been influenced by the dynamics of the economy and the gains made by certain social groups. In 1960, 1.6% of the population between 20 and 24 years of age was enrolled in universities; in 1980, one out of every six young people was a student. The structural transformation has been very different from one country to another, but in no case were poverty and

marginality eliminated. Fifty percent of the population lived in poverty in 1960 and in 1980, 35% were still poverty stricken, despite the fact that the per capita GDP had almost doubled during that time.

Policies aimed at raising income through wages did not reach large strata of the informal sector; peasants living on *minifundio*, and occasional wage-earners continued to live in poverty and their relative standing fell; when they eventually entered modern production sectors, they did so in unskilled occupations producing extremely low incomes. The same exclusion prevailed in respect of education: the illiteracy of rural youth and little schooling (devoid of true educational content) of their urban counterparts tended to reinforce the segregation caused by cultural barriers.

## 2. *The marginal sector. A reserve army or a condition of social reproduction?*

The controversy about the meaning of marginality has been widely discussed in Latin America and we need not go into it again here. It is interesting, however, to recall the comments made by F.H. Cardoso (1980b) concerning the relationship between marginality and accumulation, particularly if the notion of marginality is extended to cover all sectors not directly connected with the modern sector. Cardoso points out that under certain conditions, an abundance of cheap labour can affect accumulation; this argument can even be used by certain sectors to attract investors. Nevertheless, capitalist expansion depends not only on competition among workers, but also on the cost of reproducing the labour force, on profitability, on competition among capitalists and on technological renovation. He also states that in order for marginality to bring down the cost of replacement, not only must its magnitude force a worker to accept paid work at around the minimum cost of reproduction (a normal function of reserve armies), but also this cost must depend on his being able to make a living outside the industrial capitalist system. Thus, the existence of production for consumption outside the system can help lower the cost of replacing the labour force.

What is important is how social and production structures are articulated with each other.



Table  
LATIN AMERICA: INDICATORS OF CHANGES IN SOCIAL STRATIFICATION, 1950-1980

Country groupings	Non-agricultural economically active population		Non-agricultural non-manual EAP		Non-manual secondary and tertiary wage-earners			Own-account non-manual workers			Secondary and tertiary non-manual wage earners					
	(Period)	(Percentages)		Non-agricultural manual		Manual secondary wage-earners			Secondary manual wage-earners			Secondary and tertiary non-manual own-account workers				
												ca 1950	ca 1960	ca 1970	ca 1980	
			(Period)	(Period)			(Period)									
"A"																
Argentina	1947-80	72.8	85.5	1947-80	62	75	1960-80	76	98	1960-80	43	47	157	178	227	208
Costa Rica	1950-82	43.2	70.4	1950-82	45	73	1960-82	100	111	1960-82	35	38	236	282	459	295
Cuba	1953-80	57.8	76.0													
Chûe	1952-80	63.7	81.4	1952-80	42	80	1960-80	57	105	1960-80	20	50	162	285	286	210
Panama	1950-80	44.3	68.3	1950-80	41	82	1960-80	109	127	1960-80	20	11	371	556	765	1 122
Uruguay	1963-75	80.2	82.3	1963-75	73	67	1963-75	88	96	1963-75	39	37		227	258	
Venezuela	1961-80	65.2	82.8	1950-70	37	77	1961-70	75	122	1961-70	35	33	143	214	376	
"B"																
Brazil	1950-80	39.9	68.9	1950-80	54	63	1960-80	80	99	1960-80	19	25	181	418	329	390
Colombia	1951-70	42.4	55.0	1951-70	39	65	1960-70	90	84	1960-70	43	43	116	209	193	
Mexico	1950-80	44.3	63.0	1960-70	79	80	1960-70	59	82	1960-70	56	47		105	174	
Ecuador	1950-82	34.5	64.9	1950-82	25	105	1962-82	65	101	1962-82	92	40	194	125	112	164
Paraguay	1950-82	44.5	54.9	1950-70	37	44	1960-70	66	67	1960-70	40	39	152	164	173	
Peru	1950-81	40.3	58.4	1960-81	56	109	1960-81	78	160	1960-81	57	74		138	235	216
Dominican Rep.	1950-80	30.0	50.0	1960-70	58	75	1960-70	74	119	1960-70	44	43		168	278	
"D"																
Bolivia	1950-80	24.2	50.0	1950-76	34	60		-76	90		-76	41	162		222	
El Salvador	1950-80	35.1	49.0	1950-71	32	53	1961-71	52	66	1961-71	34	38	132	153	172	
Guatemala	1950-81	31.4	43.7	1950-73	19	37	1964-73	60	62	1964-73	19	21	200	309	293	
Haiti	1950-80	14.9	26.0													
Honduras	1950-80	18.9	37.0	1950-74	32	61	1961-74	90	77	1961-74	43	43	250	210	179	
Nicaragua	1950-80	31.3	60.0	1963-71	48	51	1963-71	58	70	1963-71	46	39		126	177	

Source: EAP data according to social-occupational strata for the years 1950 and 1970 were taken from Filgueira and Geneletti (1981), table 2, pp. 32 *et seq.* Date for 1980 were taken from special survey and census tables (Chile, Panama, Brazil, Ecuador) and from household census data publications (Argentina, Costa Rica, Peru). Non-manual EAP include: a) employers; b) public and private managers and administrative staff; c) independent professionals and technical workers; d) dependent professionals and technical workers; e) own-account in commerce; f) office workers, salespeople and similar categories. *Secondary and tertiary non-manual wage earners* include: b), d), f). *Secondary and tertiary non-manual own-account workers* include: a), c) e), *Secondary manual wage-earners* include: craftsmen, machine operators, labourers and day workers in industry, construction and utilities.

Only thus can the notion of dualism without relations be overcome; as Cardoso himself points out, that is how the question of social and political transformation in the periphery should be dealt with. Modes of articulation between the marginal and the modern sectors of the labour force are not the same when one moves from a global interpretation to an analysis of the specific features of the type of dependent development prevailing in a particular country, since the marginal sector is defined by contrasting it with the articulated sector of the dependent economy, and hence depends on what the latter is like.

At one extreme are the sectors that have been expelled from the system, as is the case in Chile, where unemployment transformed labourers and independent producers into *pobladores*, i.e., residents of deteriorating urban areas which are currently characterized not so much by their deficient ecological conditions and services as by the unemployment problem they face. At the other extreme are rural migrants, who, with little or no education, have been partially incorporated into urban life in occupations requiring very few skills and at wages that are not sufficient to insure social reproduction; they are defined not so much by the fact that they are engaged in marginal or informal occupations as by the fact that they are exploited. For the same reason, they fall into the so-called categories of underemployment, defined in terms of the low income of those concerned; hence, the issue of employment is not properly distinguished from the issue of exploitation.

The data for Brazil around 1980, which cover both occupation in modern sectors and in other minimum-income sectors, provide a good example of this. In the intermediate positions, there are many cases in which the inability of the economic system to incorporate the urban masses into the modern production and services sector goes hand-in-hand with the prevailing cultural dualism (indigenous language, rural origin, lack of education), thus making it impossible for the members of this sector to enter the regular job market.

### 3. *The modern social structure*

This is made up of a number of groups which participate in modern production activities and

services, have access to the new type of consumption generated in dependent development and whose relationships with each other follow a stratified pattern.

#### a) *The bourgeoisie*

The predominance of transnational monopolistic capital creates a dependent national bourgeoisie, which adopts the production rationale, as well as the values and consumption patterns of those who represent this capital. Predictions that transnationalization would bring about the virtual disappearance of the national bourgeoisie have not been fulfilled. In some cases, the national bourgeoisie competes for control over the larger enterprises; its own activity has been internationalized and, at minor consumption levels, it has become linked to the international bourgeoisie through exports.

At the same time, in those countries where the State is ruled by a bureaucracy of "estates", or "political" bureaucracy, which makes it a centre of power in itself, a State bourgeoisie develops which manages public enterprises as if they were private ones. By the same token, the bourgeoisie, merging with the oligarchy, behaves in a speculative manner. The speculation begins with urban land and the situation is now similar to that which prevailed during the speculative crisis of the nineteenth century, when the State became the private domain of speculators and the neoliberal school of economics was developed.

The internationalization of Latin American financial circuits had its counterpart in the emigration of capital to the central countries; in this case, the attraction was security rather than profit. This meant the internationalization of certain sectors of the bourgeoisie which do not consider themselves linked with national projects.

#### b) *The middle sectors*

These sectors were formed during the process of dependent capitalist transformation. This does not mean that the original groups disappeared, but rather that they underwent changes or became less important within society as a whole.

i) *Independent or residual workers.* The percentage of non-manual independent workers has

declined throughout the region —regressing during the 1970s in Argentina, Chile and Peru— and in some countries, such as Brazil, there is only one for every four non-manual wage-earners. Threatened by the growth of the State and of the large economic organizations, losing in status *vis-à-vis* the educated technical middle sectors, affected in some countries by consumption levels of the modern labour sectors, their social behaviour is similar to that of the *Poujadistes*. Specifically, they support and promote authoritarian solutions, particularly if these reintroduce the social hierarchy; they also support certain populist movements which tend to expand the consumer market, and, on the whole, they react negatively towards the modernization of capitalism and society, particularly as regards its cultural aspects and those pertaining to scientific and technological rationalization.

ii) *Dependent workers or wage-earners*. This group has grown considerably and new strata have appeared within it. The first of these developed as the administrative functions of the State increased and commercial services for an expanding urban consumption were developed. As regards their educational and social profile, the members of these strata are not very different from the independent middle sectors; among others, this group includes minor officials of the growing populist State and persons working in sales. The second developed as a result of the expansion of social and community services, particularly in the area of education and health, and is made up of persons who have completed their secondary and higher education. Their orientation and behaviour are determined more by their educational socialization than by their social origin and most of them have only recently come into the middle sectors. In countries where industrialization is weaker and social integration policies stronger (Costa Rica, Peru), they are the largest and most organized group of non-manual wage-earners, and in most countries they represent more than 25% of State employees. As services expand, wages fall, and the cadres of social workers are gradually feminized, this phenomenon affects their role in politics.

These groups will, and in some cases already do, play a very important role at the ideological level, because through them the intellectual and political culture of the universities is extended to

all the middle sectors. This process is a cyclical one: firstly, there are great expectations of social transformation, with a major role being assigned to the State, based on populist and social reform movements; secondly, there is disappointment and the political vanguards adopt ideologies ranging from opposition to the *status quo* to revolutionary mobilization for total change in society, and from anticapitalist trends characteristic of the independent middle sectors to peasant-intellectual and worker-intellectual alliances for the establishment of some type of popular socialist model. Finally, there is a third stage in which ideological and professional roles tend to merge parallel to the constitution of national political options embodied in parties having a reformist or social democratic orientation, where they again play a part in promoting change, in connection with the rationalization of the services in which they act. Their vanguards turn into strategic groups which, within the sector, mobilize without producing new social breakdowns, and, within the social system, establish negotiations with parties and social groups with a view to reaching agreement on the functioning of the system so as to articulate individual interests with the general interest of society.

The third stratum is established with the emergence and growth of technical and scientific cadres. As regards their educational background, the members of this stratum have usually studied in technical and scientific fields. Their intellectual frame of reference is beginning to be the same as that of the corresponding sectors in the developed countries and they follow —either through their scientific or technical contacts or through the international markets— the orientations prevailing in those countries as regards efficiency, functional specialization, the requirements of rational organization, the concept of the State as a social articulator and agent of development, the importance of creating conditions conducive to freedom of initiative and innovation. Especially in the case of the business-related sectors, they are conservative as regards ideology and they follow international patterns of consumption.

Where transnational monopolistic capital and dependent local capital have prevailed, the middle classes were usually displaced to the position of a supporting class. They did not play a

significant role in the higher ranks of State management and their bargaining capacity, which in other situations had ensured them a considerable part of the national income, declined. In any event, their solidarity with the system was sometimes decisive, and was often achieved through mechanisms which enabled them to satisfy their consumerist demands.

Nonetheless, in other cases—especially when there was a political party system which enabled them to be represented in government—the middle sectors did not lose their importance. Moreover, they did not always seek purely material advantages, as their behaviour was also determined by other values and this in turn determined their allegiance to a given political system.

The speed at which the make up of the middle sectors changed, as well as the radical differences of orientation among social systems during this period of structural transition, explain why the middle sectors generated or supported political movements ranging from fascist-type to fundamentalist revolutionary movements, from democratic conservative alliances with the bourgeoisie to democratic change-oriented alliances with the proletariat. The cycle has not yet been completed and the fact that there is such a variety of national situations—as regards social structure and power relationships—is an indication that many different political behaviours which will vary depending on the country concerned, are yet to be expected, especially in view of the reactions of fear and threat generated by the current economic crisis.

### c) *The industrial proletariat*

During the period under consideration, the absolute volume of the active population in the secondary sector tripled and its share in the total EAP increased considerably. This in itself changed the role which the labour sector had played during the populist periods of the 1950s, when political processes took place in urban enclaves set in a rural world, and behavioural patterns were related to those of other urban groups in which independent middle sectors or minor officials were predominant. At the same time, production evolved from small-scale crafts or

factories to large, technologically advanced enterprises.

The educational profile of workers, particularly those of the large economic organizations, changed radically (craftsmen and small factory workers having lost their usefulness with the advent of modern technology), and the ecological and cultural isolation of worker populations gradually disappeared as they became integrated into the culture of the modern world. In industrial enterprises, there was a steady increase in the percentage of personnel doing administrative, technical, scientific, sales and public relations work, while at the same time internal career-development mechanisms did away with the isolation of workers from other social groups, such as those studied by Halbwachs at the beginning of the century. Many trade unions, at both the factory and the sectoral levels, include office workers as well as labourers and technicians. This is facilitated by cultural communication among them, by their common problems as regards working conditions and by the fact that the trade unions are concerned both with immediate conditions and with the formulation of proposals concerning the organization of society. Independent action by trade unions goes hand-in-hand with their capacity to work with other social groups in formulating political projects.

The productive and technological heterogeneity which characterizes Latin American industry and the impact which the industrial transnational corporations have had on it have accentuated a process which leads not so much to a differentiation of production as to heterogeneity (if not segmentation) of the various units making up the industrial and economic system. Hence, the very concept of the working class seems somewhat outdated; one can at least point to a division between a new working class whose members are engaged in advanced technological activities and work in satellite companies belonging to large conglomerates, and another working class composed of workers of smaller-scale companies using inferior technology and traditional production methods. The latter group is made up of a less educated proletariat, trained through on-the-job apprenticeship and scattered throughout a large number of small-scale enterprises, who receive much lower wages than the

proletariat working with advanced technologies.

These phenomena pose the question of the worker's identity, on the one hand, and, on the other, the question of the worker's political articulation with the social system. As regards the First question, because the wide variety of situations involved makes it very difficult to mobilize workers in terms of common demands, trade unions that are organized according to activity sector or enterprise are able to act with greater flexibility than large centralized ones. As regards the second question, it is becoming increasingly difficult to speak of the working class as a privileged and dominant actor of social transformation; the Latin American society has not been a predominantly proletarian one and will not become proletarian because of the technological stage in which its industrialization is taking place. Consequently, projects for organizing society on the basis of the working class will either represent some isolated action amounting to an imposition on society or will involve the establishment of pluralistic agreements with groups from the middle sectors and others originating in the modernization of agriculture.

The dependent capitalist growth model was based on a high-income type of market which, to a large extent, worked against populist demands. To the sectors or groups in power, even the possibility of involvement by the popular sectors jeopardized the operation of the system. The policy of containing wages which was applied often, usually called for repressive control of trade-union organizations. An effort was made to restrict their action to purely bureaucratic, administrative and welfare functions; nevertheless, this curtailment of trade unions also entailed risks for the dominant sector, inasmuch as, in the event of a conflict, legal regulatory mechanisms could quickly be set aside.

It should be borne in mind that the conflict of the popular sectors, and particularly of the worker groups, is not always only a matter of protesting against excessively severe economic conditions. These movements are often headed by worker groups whose own economic situation is not so bad, but who demand better working conditions and some degree of participation, not only in the enterprise but in society as well. What is interesting is that in the type of conflict they initiate, they find no one with whom they can

have a valid dialogue; consequently, they find no channels through which to settle the problem. Because power is inflexible, any conflict has general political implication and thus other groups, equally frustrated by the lack of channels of participation, also join the fray.

#### 4. *New dependency and power structure*

The relationship between the new forms of dependency and the political and social power system has been viewed in terms of the authoritarian-bureaucratic State as initially described by Guillermo O'Donnell and other authors who adopted and followed up on this concept. Although this approach was originally based on a limited number of experiences, the idea was put forth that there was a close correspondence between a given economic form and a given political form. Whether or not this broad generalization is valid, one can agree on the significance of three main actors, i.e., the transnational corporations, the local bourgeoisies associated with them and the State.

As regards the State, what is important is the role it played as an organization and, consequently, as a bureaucracy; in addition, however, it often acted as an enterprise in the production sector, thus turning into a *sui generis* type of capitalist State or perhaps, in certain circumstances, fostering a State capitalism. One important aspect was the State's capacity to serve the interests of large capital, both multinational and local; the strong presence of these capitals and their relationship with the State gave rise to a phenomenon whereby politics was displaced by economics and often economics was the only politics. Hence, in the opinion of those who have studied the phenomenon, the State appears to have been almost like an executive committee of the dominant sectors, i.e., State officials (military or civil), executives of State enterprises, large private entrepreneurs, both national and foreign, and the new middle classes linked to those enterprises.

In some countries, the presence of bank and financial capital was more evident; under official policies, these groups were granted all kinds of royalties and facilities. In many cases, because of the limitations imposed on organized parties and

major trends of opinion, or their virtual exclusion, the State became an almost direct spokesman for the interest groups mentioned.

Perhaps one of the most important phenomena of the new power structure was the

strong and often decisive influence of the armed forces. The behaviour of the military may be mainly accounted for by their concern with subversion, but their intervention is associated with the crisis between the State and society.

### III

## The political crisis

#### 1. *The failure to establish a modern political system*

An analysis differentiating the economic system from the political system is particularly valid in Latin America, because there are inconsistencies between the two dimensions: to a large extent, capitalist forms penetrate the society from outside, whereas in the political sphere, the contradictions of the crisis of the oligarchy are not resolved in such a way as to allow for the development of capitalistic class relations. Dependency and the projection of historical structures are variables in the constitution of an incomplete bourgeois order whose political expression has two main elements, i.e., a State which is not a construction of society, and the lack of political resolution of the crisis of the oligarchy.

##### a) *A State which is not a construction of society*

Historically, in the construction of society and the State in Latin America, the State first appeared as a substitute for Portuguese or Spanish imperial power. In the case of Brazil, imperial domination persisted well into the nineteenth century and its counterpart in society was the slave-and-master system. In countries with a subjugated indigenous population, the local oligarchy retained its power, and dominated the population through the hacienda system and the linguistic exclusion of the people under their control. Finally, in countries having a free population, the struggle for national construction ended with the imposition of the State and the oligarchy.

This imposition of the State on a society that

is not able to organize itself or express itself was the model which continued in force up to the mid-twentieth century, except in those countries in which the commodity-export stage went hand-in-hand with national ownership of the means of production and a shortage of labour which made it necessary to resort to international migrations of free men.

##### b) *The lack of political resolution of the crisis of the oligarchy*

The crisis which began during the 1930s had a decisive impact on the economic model of domination by the oligarchy. Capitalist forms gradually emerged, leading eventually to the internationalization of the Latin American markets and to the new forms of dependency which characterize the current crisis. Despite all this, the social power and the values which legitimated the previous domination by the oligarchy did not entirely disappear.

Capitalism developed within the context of a crisis of the oligarchy which in some countries has lasted for half a century. The bourgeoisie, as a class, has not had a rationalizing influence on capitalist expansion, disseminated values relating to accumulation and distribution or developed a capacity to stabilize the political system with a hegemony that would legitimate an alliance of power.

The bourgeois sectors opted for different forms of political construction such as populism, reformism or reconstruction of the oligarchy. In the first two cases, they tried to establish an articulation between the society and the State by means of a political system in which the society was to take part in orienting the development

system and establish a social and legal order, as well as a collective identity of belonging to the nation; this involved the dissemination of new values in respect of personal equality and rights, as well as a common culture. Populism stressed the creation of a social citizenship, understood as a set of social rights that are the same for the entire population, without any distinction being made between different social levels; to this end, policies relating to the distribution of social incomes—education, health, social security—provides for the transferal to the collective population of an increasing share of the family costs of social reproduction. Reformism, on the other hand, stressed political citizenship. This included the extension of suffrage and its use as a mechanism for the society to regulate the State, the establishment or extension of a common legislation to all members of the society and the development of mechanisms for preventing the State from acting illegally or using its power arbitrarily (justice, autonomy, separation of powers).

For the purposes of this analysis, we shall stress two characteristics of these options:

i) Groups of the bourgeoisie take part in both processes; in populism, they participate along with urban worker or popular sectors, and in reformism, with middle sectors. Nonetheless, neither of these can define itself because of the control exercised by the bourgeoisie itself.

ii) These processes only brought a part of society (urban residents who took part in the newly emerging activities) into modern social relations and often did so in a corporate manner. For the remaining (majority) population—a fundamentally rural one—there was no such thing as social and political rights. Such rights continued to be controlled and repressed through the classical procedures of the oligarchical republic; hence, a double standard was applied in relations between the State and the two forms of society. In many countries of the region, the oligarchy managed to retain its control over the State well into the second half of this century; in others, it influenced the orientation of society by managing rural society and the less developed regions. It provided a point of reference for the attitudes of the bourgeoisie, on the one hand, and, on the other, it reintroduced its regressive projects into populist and mesocratic alliances.

Nevertheless, as a result of the gradual

urbanization of society, the changing levels of education of the population, and its social mobility, the oligarchy no longer had a population it could fit neatly into a frame. The bourgeoisie, for its part, noting that most groups had been integrated into modern life, found in the oligarchical points of reference and neoliberal economic models the way to exercise exclusive dominance. The State was once again separated from society, but this time, given the development and mobilization of society, the State's relationship to the society became an adversary one.

## 2. *The contradictions of the political process*

The present crisis of dependent economies, although widespread throughout the region, is superimposed on and intertwined with the widely varying crises of the political and social systems of Latin America; hence, the future scenarios will necessarily be quite different from one country to another.

Without claiming to cover every possible situation, the following examples show some of the different situations that arise in the region.

### a) *The crisis in modern societies*<sup>2</sup>

In the Southern Cone countries, where the economic crisis has been more serious and where the neoliberal economic model was applied more forcefully, the breakdown between the society and State occurred sooner. It is reflected in the disintegration of relations between development and modernization, participation and nationhood, which constituted the variables of its historical process.

As the cycle of urbanization and incorporation of the various groups into the cultural aspects of modern life—education, communications, symbolic participation—was completed and the cycle of horizontal mobility and structural change was concluded, there arose a conflict between accumulation and distribution and a crisis in connection with the incorporation of previously excluded groups or those which

<sup>2</sup> Part of this analysis takes up the positions expounded by Delich (1983) and Oszlak (1983).

had no capacity for autonomous political action within the political system.

As social citizenship became generalized, the bourgeoisie seemed to have exhausted its capacity to manage incorporation through the reformist and populist options, as well as its capacity for economic development, which it did not succeed in activating through the adoption of technology and the expansion of the external and domestic markets. Thus, «joined the oligarchical groups in its traditional resistance to the idea of the State representing society (Alfonso, 1980).

In Argentina, Chile and Uruguay, there was an attempt at transformation from above; thus, the State, which had been put into private hands by those groups, was separated from society, suppressed political life, suspended most of the previous norms and established the will of the authority. It curtailed the functions of the judicial system as a protector of the civil society and used special agencies to impose the power of the State. At the same time, it attempted to dissolve the system of values which had previously established the link between the State and society—i.e., the nation—replacing it by a market. The educational system—often viewed as an agent of subversion because of its role in mobilizing and promoting the autonomy of social groups—, and a policy of breaking apart the health and social security systems were also used to dissolve social citizenship. The State adopted the principle of subsidiarity and declared that the market would regulate social assignments, thus restoring a hierarchical system of classes and groups. The dissolution of the social contract—mentioned by Oszlak— provided the basis for an unregulated market in which the orientation of production, entrepreneurial behaviour, accumulation and the rationale of capitalism disappeared. Legal and economic standards were affected considerably. Speculation as a form of economic appropriation was often due to appropriation by the State.

b) *The crisis in traditional societies*<sup>3</sup>

The cases of Bolivia, Ecuador and Peru illustrate the continuity of an oligarchical colonial

<sup>3</sup> This *pari* takes into account the work done by Cotler (1983).

heritage reinforced by the segmentation of the indigenous population. The oligarchy was not able to establish the State, to achieve economic growth, to articulate the territory into a market system or even to integrate the population into a national society.

Under such circumstances, the bourgeoisie did not develop, either at the end of the nineteenth century or at the beginning of this century, except in certain mining and agricultural export activities which operated in an enclave situation. The weakness of social structures increased external dependency; this in turn strengthened the social demand for nation-building, which was reflected in military sectors in terms of the frustrations caused by national wars (e.g., the Chaco and Pacific wars, the loss of the Ecuadoran Amazon region). This gave rise to certain military interventions aimed at achieving national integration by simultaneously modernizing the State and society. This other type of revolution from above involved mobilizing the society in order to transform it, blocking the old oligarchical power structure, and avoiding external dependency.

The subordinate classes are not constituted as such; the urban middle classes are of the traditional type, the industrial proletariat is minimal in size, the peasantry is mostly indigenous, and it is only in Bolivia that the mining sector is involved in politics.

The prevailing orientation is a populist one, sometimes under military leadership, and it will be stronger when the integration capacity of the economic system is weaker and the bourgeoisie less significant.

The economic crisis of the 1980s has occurred in societies whose development processes have led to widely differing results. In one case, a country's petroleum resources, together with its capitalistic export-oriented agriculture, have enabled the State to become a major agent of change. The State is able to develop large dependent middle sectors, create a new industrial proletariat and consolidate a bourgeoisie of strong oligarchical content. Despite the efforts at national and cultural integration, there are still dualities, the most important of which is the indigenous one. The political system articulates the modernized society and the State, and gives rise to the confrontation between the mesocratic re-



formist option, the populist option and the bourgeois neoliberal option.

In a second society, the weakness of the economic structure, along with the reluctance of the oligarchy and the bourgeoisie to go along with a State-directed development process, led initially to the failure of this process and, subsequently, to their regaining control of the State apparatus so as to bring it in line with a neoliberal model which led to the disintegration of the economy and of society. There is a crisis with respect to the social incorporation of a mobilized society which is more readily defined in terms of the people than in terms of class, and which, through the political system, promotes State control and a model for development, modernization and national integration in which survival itself is at stake, given the other type of crisis which in turn affects the indigenous society. Finally, because of its unique history, the third society has an incomplete class structure. The national popular revolution eliminated the oligarchy and a mining bourgeoisie that was small in size but had international economic dimensions. Workers and peasants, biased by their indigenous identity, became either supporters or antagonists of a very weak State which was articulated by the military or political bureaucracies. As it grew, the bourgeoisie still did not manage to control the State and the political system reflects the fragile alliances of a society undergoing a process of revolution, whose adversary in the international capitalist system, and which, on the domestic scene, has not succeeded in making the State the agent of accumulation.

c) *The affirmation of the State and of the capitalist system*<sup>4</sup>

In the case of Brazil, there were several structural conditions which made the State the articulator of a capitalist development which postponed the conflicts between State and society and provided certain channels for working them out.

i) This is the only case in Latin America where the European type of State persisted and

where the old régime, with its monarchical government and slave base continued to the end of the nineteenth century. From the beginning, the State was not oligarchical but bureaucratic in nature; it had to face the problem of how to control an enormous social space with centrifugal tendencies, and resorted to a system of reaching agreements with local powers while at the same time promoting national integration based on the restoration of popular cultural forms along with political exclusion and exclusion in the area of income.

ii) The crisis of the 1930s affected domination, but in a society which was overwhelmingly rural and in which participation in the electoral process was minimal, the import-substitution process was carried out under a populist option which was limited to the central and southern cities and was strongly influenced both by the oligarchy and by a stratified State bureaucracy.

iii) Substitutionary industrialization and the export-oriented industrialization which followed it still excluded the rural and urban masses while at the same time the consumption capacity of the integrated urban sector was increasing. The bourgeoisie, which developed along with agrarian capital, followed the lines of the revolution from the State, which had been carried out by the groups comprising the State, with military support, for the purpose of promoting capitalism through the internationalization of the market and the massive incorporation of technology. The triad composed of private capitalism, international capitalism and the State operated around the latter, which set the boundaries of the three entrepreneurial sectors (public activities are also entrepreneurial). The "bureaucratic rings" (mentioned by Cardoso) gave rise to agreements and tension among the three sectors and these were sometimes accentuated by the bureaucracy's trend towards State capitalism.

iv) With the populist and reformist options out of the picture, social integration was determined by the very high rate at which the rural and urban marginal masses were incorporated into the modern sector; although their wages were very low, the increase in the product brought about an improvement in their income, their motivation being social mobility. The middle classes grew and, by way of their consumption habits, were incorporated as a body.

<sup>4</sup> This part takes into account the studies by Cardoso (1971, 1975 and 1983), Faria (1983), Filgueira (1983), Castro and others (1983).

v) The model which prevailed was a sort of State ideology which led to political demobilization and brought about integration by means of structural mobility and bourgeois consumer values. It achieved a very effective symbolic integration by bringing together the nationalized elements of popular culture and a nationalism based on the historical destiny of a country that had become an industrial power.

vi) The relationships between the society and the State are now different. The scope of traditional control and management mechanisms has been narrowed as traditional society itself has been sharply reduced. (In 1950, the agricultural EAP was 60% of the total EAP; in 1980, not only had it fallen to 31 %, but it had also been affected by modernization.) In the modern society, the differentiation of classes and groups is one which is characteristic of advanced capitalism and calls for State control and a development policy aimed at fostering the growth of capitalism; this involves social and political citizenship and a dynamics of accumulation and distribution. The choice is between continuing with the separation of State and society, whereby only the bureaucratic—bourgeois—multinational rings would operate, and promoting societal action whereby the State would be controlled by a bourgeois-mesocratic alliance with proletarian support.

d) *The State as an agent of social political consensus*

The cases of Mexico, Costa Rica and Venezuela are especially interesting because these countries have shown a remarkable capacity to carry out transitions and make corrections in the development process without causing as extensive a breakdown of the political system as has been noted in other countries. What is particularly interesting is the role that has been played by the State, both in the sphere of economics and in the search for mechanisms—political or otherwise—to ensure effective articulation between the different social groups. This does not mean that there are no conflicts, but rather that they have been resolved, thus ensuring the stability of the system.

Although foreign participation in the economy has been substantial in all three cases, the State as such has played a strong role in entrepre-

neurial activity, particularly in national private enterprise. In Mexico, for example, most of the large State enterprises are involved in credit, (e.g., the very important Nacional Financiera), utilities (telephone, electricity) or infrastructure (steel production). Consequently, the State does not compete with the private sector.

In the case of Venezuela, the fact that the State controls petroleum, steel and other important items clearly makes it the most important direct producer of the economy, although its activity is associated with the private sector. It has also promoted industry and agriculture, encouraging the private sector. The purpose and, to a great extent, the achievement of the agrarian reform was to generate a middle agrarian sector which, moreover, would provide a good base for political stability.

In Costa Rica, since the early 1950s, the State has played an important role in the diversification of the economy, creating infrastructure in the areas of energy, roads and social welfare. With the nationalization of the banking sector, credit was directed to new sectors, such as industry, which were favoured by subsidized rates, soft credit and tariff protection. Moreover, the policy has been to support the middle agrarian sectors, which are a unique feature of Costa Rica not only with respect to other Central American countries but also with respect to the Latin American region as a whole. Most analysts agree that the existence of an agrarian middle class is a factor of stability in the social and political environment of Costa Rica.

In all three cases, the State has become a significant source of employment and has contributed, with its policies, towards a broad redistribution of income, although this is more true of Venezuela and Costa Rica than of Mexico, whose rural area still presents problems in this respect. Nonetheless, it is worthwhile noting that in all three countries, the State has attached special importance to social policies, particularly in the areas of education, health and, to a certain extent, housing.

Obviously, there is a close association between the role of the State and the political system prevailing in the three countries. Most foreign observers find the Mexican system not only unique, but also somewhat mysterious.

Nevertheless, it is generally agreed that political pluralism has been somewhat limited and that the opposition usually functions merely as symbolic competition, although this situation has changed somewhat in the last few years. The real competition takes place within the government party, not necessarily among the blocks composing it (the peasant block, the worker block and the popular block)<sup>5</sup> but rather among the sectors following individual leaders. It is well known that there is usually a complicated mechanism of negotiation and balance among the different groups, which neither annihilate nor eliminate each other, but rather seek some form of compromise. The result is an intricate system of agreements, relationships and compensations.

Venezuela's political system began in 1959. At first, there were serious problems, including outbursts of violence, such as guerrilla attacks. Nevertheless, a laborious system of political agreements was developed which brought about the establishment of a virtual two-party system, which does not, however, exclude other parties. In some areas of the country, in fact, orientations other than those of the two dominant parties are very well represented and have a significant amount of power. It would appear that the coun-

try's oil income explains everything; it is important, however, to bear in mind the political context in which this income is used. The State invests in basic sectors but enters into association with or encourages private groups, it makes expenditures to transfer income to the poorer sectors, redistributes income through wages and services, uses agricultural credit to the benefit of small and medium-sized farmers and applies broad employment policies. In brief, the formation of a social consensus is a basic principle. Something similar has happened in Costa Rica, where the State plays an important economic role and where its main concern is to construct the bases for social political consensus.

In brief, the cases mentioned above are interesting because they demonstrate a capacity to produce social consensus, for which State action has been fundamental. This policy has often been attributed to the availability of resources, but it seems that not only does consensus result from a relatively efficient or stable economy, but the social political consensus guarantees the stability of the economy even during periods of slow growth. Clearly, the impact of the crisis will be telling in this regard, but so far nothing has happened to contradict this.

## IV

### The political problems of a new development option

If under the new development option the social actors are considered to be the popular sectors, the working class, the middle sectors and part of the bourgeoisie, the challenge is how to bring together the interests of these groups, which are often corporate in nature, in an option that will allow for consensus, if not of all the groups concerned, at least of a large majority. Essentially, democracy synthesizes the interests of the consensus groups of society.

One fact is undeniable: we are dealing with capitalist societies which are characterized by an

antithesis between the rationale of capital, the objective of which is to increase its value, and the rationale of labour, the objective of which is to improve conditions for the reproduction of the labour force. Consequently, the conflict has to do with the operation of capitalism.

In many Latin American countries, some parties have tried or are trying to present themselves as the party of one of the sides in the capitalist conflict, and particularly, as a party which, within the State, stands up for the rationale of labour against the rationale of capi-

<sup>5</sup> In the terminology of the Mexican Institutional Revolutionary Party (PRI), the popular block is made up of the middle sectors and the bourgeoisie.

<sup>6</sup> Many of the ideas discussed here were first stated by Alvater in connection with social democracy in Europe.

tal. In a way, the developmentalist option which prevailed from the 1950s onwards represented an effort to seek a compromise between the two rationales by forming an institutional State network; this might be called the "compromise State", to use a term coined by F. Weffort. In addition, certain current political experiences, such as those of Mexico, Venezuela and Costa Rica, still have something of this characteristic which distinguishes them from other modalities.

What is significant is the fact that when the conflict or the compromise between the two rationales occurs within the State, the action does not take place at the level of classes, i.e., with reference to the mode of production; rather, it takes place within the sphere of social formation, which involves dominance that is politically and ideologically mediated. The main objective is to ensure that the worker becomes a citizen with the same rights as the bourgeois citizen. But at the same time a separation between the economic and the political levels is introduced.

The populist and reformist discourses were often incomplete, but they were discourses on the citizen endowed with rights which are met by the State. When the worker claims the same rights as those of the bourgeois citizen, the economic sphere is being separated from the political sphere; while it is true that the worker is also a citizen, he is never the same as a member of the bourgeoisie.

Nonetheless, when there is an intervening State—and that was the case during the developmentalist experiment and will probably be the case under a future option—the links between the economic and the political spheres are re-established, although preferably in the area of circulation and realization rather than in the area of production. The means for articulating the economic and the political spheres at the level of circulation are the law and money.

The conflict between capital and labour remains and it is reflected in problems with wages, working conditions and forms of management; efforts are made to solve these problems through State mediation. Nonetheless, State intervention introduces two serious questions:

a) Work stops (partly) being a merchandise; it is not governed solely by market conditions and this changes one of the principles of capitalism, i.e., the free labour market. (It is not a coinci-

dence that this is one of the first things that neoliberal policies try to recover.)

b) Wages become the citizen's wages and thus capitalism becomes less flexible. It becomes more difficult to lower wages.

In difficult situations, capitalists will reject political intervention in the operation of the economy and will try to establish pure capitalist relations, resorting to force in order to destroy the sphere of policies. This explains why it is so risky to try to solve the contradiction of interests only in the political sphere, without touching the sphere of production.

The question now comes to mind whether we are faced with a problem which cannot be solved in the context of capitalism, since, essentially, what is involved is simply the contradiction between capitalism and democracy. Capitalism itself, in some cases, has managed to dynamize this contradiction in terms of the expansion of modernization and of rationalization. But in most Latin American countries, and particularly during this time of crisis, that is very difficult unless the objective is also to transform the capitalist society as it exists today.

As has been noted, under the new development option, the State should be the subject of transformation and it should be imbued with a willingness to change, which means that the political project for transformation must be drawn up.

The challenge is to articulate two dimensions, political emancipation and economic emancipation. This means there must be some socialization of economic action by way of co-management, a more or less similar process must take place in the sphere of politics.

In this dimension, groups act upon their own situation, transforming themselves. The alternative project represents not only an attempt to transform the mode of managing society, but an attempt to transform society itself.

It is not sufficient, therefore, to analyse the characteristics of the social groups we have mentioned, which can support a new option in their present form. Although this is very important, what is fundamental is their capacity to change themselves, and objective conditions now exist which make this possible.

In addition, despite the importance of the State the alternative project as an option of soci-

ety must not be seen as merely a State project. We have stressed that the challenge to Latin America is that of achieving the true integration of State and society. In any attempt to provide a new

orientation for the society as a whole, there must also be a willingness on the part of the State, which must have the capacity to construct the many dimensions of its future form.

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