

# CEPAL

## Review

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developing countries both at the regional and at the world level.

In these great tasks of the region, the CEPAL secretariat wishes to play its part side by side with the governments of the

member States, today as in the past, in a spirit of loyal commitment to Latin America and to the objectives of the United Nations Charter.

## Statement by Raúl Prebisch

Since I have been kindly invited to participate in this meeting—a gesture which I very much appreciate, together with the encouraging words so generously lavished on me here—I should like to offer a few reflections on certain problems which are causing great concern in our countries. Unquestionably, the most important is that, despite the momentum gained by development, vast masses are still excluded from enjoyment of its results. What has come to be called critical poverty continues to exist, and is growing relatively worse.

This is a problem which CEPAL has long been canvassing, but without managing to get it regarded as of paramount importance, perhaps because of the widespread belief that the very dynamics of development would spontaneously resolve it once and for all.

But that has not happened, and never will. For the persistence of this grave malady is due to deep-seated disorders in the system which mere palliatives cannot cure: disorders that cannot be attacked solely by means of new prescriptions—for example, the establishment of minimum consumption and welfare targets for the underprivileged strata of society. Of the imperative need to attain and even surpass such targets, there cannot be the slightest doubt. But how is it to be done? We cannot allow ourselves to be

beguiled by the manifest justice of this and other similar proposals into shirking that basic question.

This is the first point about which I want to speak now. No sooner are poverty and unemployment mentioned than the image of the technology which comes to us from the centres looms up. The CEPAL economists were perhaps the first to bring this problem into focus, a quarter of a century ago. At that time we imagined a technology adapted to the periphery and designed to serve the purpose of increasing the productivity of capital rather than reducing the labour force. But where is that technology? It would, of course, be inadmissible to put the clock back. Still, there might be a possibility of arriving at such a technology after prolonged efforts. What should we do meanwhile? I would say first what we should not do: take pains to make work for work's sake. Paul Hoffman, that distinguished figure who was the first Administrator of UNDP, used to recall how, in the United States during the great Depression, in face of the persistence in creating work by having earth moved with picks and shovels, a State Governor wondered: Why not go one better and use soup-ladles?

I believe a great deal can be done by intelligently adapting the technology of the centres, and a number of highly

encouraging specific cases bear witness to our technicians' capacity for innovation. Nevertheless, the more I think about this problem the more convinced I am that attention must be devoted to other basic factors.

The deep-seated ill does not in fact lie in the technology itself, but in the social structure into which it is introduced: a structure which permits highly inequitable appropriation of the fruits of the increasing productivity which the technology brings in its train. These fruits of technical progress represent an ever-growing capital accumulation potential. And I am persuaded that if this potential were utilized as far as possible in economic and social investments we should make steady progress towards the elimination of critical poverty and other evils. It would be, in reality, the starting-point for a transformation of the system in a profoundly social sense.

To establish minimum welfare targets without making full use of the capital accumulation potential which technical progress affords us is to drift off into the thin air of pious illusions.

Let us not deceive ourselves. Capital accumulation on a much larger scale and more rational in its composition than at present is a *sine qua non* for absorbing, at rising levels of productivity, the broad masses that are vegetating in the lower income strata of society.

The effort required is herculean. For there are substantial obstacles in the way, and one of them is the consumer society: in other words, the unbridled imitation of the consumption patterns of the centres, which tends to spread rapidly from the upper income strata in our countries to the middle strata. The diffusion of such consumption is obviously detrimental to capital accumulation. To put it bluntly: the consumer

society is incompatible with the eradication of the society of under-consumption.

The responsibility for all this is usually imputed to the transnational corporations. But let us not lay our own blame on the shoulders of others. If the consumer society is gaining more and more ground, it is basically because of the inequitable income distribution deriving from the prevailing social structure. The transnationals boost the consumer society and are closely linked to it, but the social structure depends fundamentally upon ourselves.

The transnational corporations are ambivalent. They are admirable for their innovations, their organizational capacity, their ability to attract minds that are gifted in the spheres of technology and economics (and, in some instances, prone to unwise interference in politics). Their positive contribution to development cannot be disregarded. But their ambivalence gives grounds for serious and lasting concern. For everywhere, and especially in the centres, they carry a considerable share of the responsibility for the deterioration of the environment and the destruction of non-renewable natural resources. And where the periphery is concerned, their immediate interests and the collective interests are not necessarily the same.

I remember hearing a young Soviet economist at a United Nations meeting on the transnational corporations say something like this: "I have heard the advantages and disadvantages of the transnational corporations mentioned in this discussion. My country has initiated and will maintain relations with transnationals, since it has the power to utilize the advantages and avoid the disadvantages."

The right attitude. It is true that in this part of the world we have not the

same power, but we may gradually acquire it by means of closer cohesion among our countries: a cohesion which can only be based on community of interests and unity of aims and the combined action of the peripheral countries in different spheres of collective negotiation. This has become very important, and especially so at the present juncture, when President Carter has just expressed great willingness to welcome any constructive positions that Latin America may take up in respect of foreign investment. Thus an exceptional opportunity arises for unhesitatingly facing the expansion of the transnationals in the periphery.

In this whole question certain entrenched positions must be abandoned. I am inclined to think that attempts are sometimes made to attract the transnationals so that they may do what we ought to be able to do ourselves, if we assimilate and adapt their technology and their organizational capacity, and, in addition, increase capital accumulation by efficiently mobilizing our own potential. But I am afraid that in many cases we seek the capital of the transnational corporations in order to evade this internal mobilization effort, while devoting a disproportionate share of the potential in question to imitating the consumption patterns of the centres: a course which sooner or later turns out to be counterproductive, to say the least. For —among other reasons— if the increase in productivity brought about by the transnationals is worthy of consideration, no less so is the fact that they transfer a substantial part of the resulting income abroad.

No, the transnationals should not act as a substitute for our own efforts in the matter of capital accumulation and technical progress, but should help us to

carry them out. This is not exactly what happens, however; and they are also taking our place in other fields, such as the export of manufactures. It must be recognized that they are making a vigorous drive to open up new avenues, with very positive results. Latin American technicians and entrepreneurs are also doing much. Nevertheless, we could achieve a great deal more, if in the light of past experience decisive impetus were given to the mechanisms of reciprocal trade.

I confess that I am feeling disconcerted, or rather, disillusioned. LAFTA is barely skimming the ground in Montevideo, is failing to look higher, and for that very reason is running up against major obstacles which could be removed only by virtue of great farsightedness. Among the possible ways of giving a 'big push' to inter-Latin American trade, particularly in intermediate and capital goods, where the more advanced industrialized countries are meeting with serious difficulties, perhaps the formation of Latin American multinational corporations is the most promising. The ideal thing would be to combine the technology and organization of the transnationals, wherever this was an indispensable requisite, with Latin American capital, initiative and markets, and to attract international resources in a framework of political autonomy. In this respect we were hoping that something might come our way out of the financial surpluses of the petroleum-exporting countries. These hopes are languishing, however. Venezuela is an exception because of the vision and dynamism of its President, particularly in view of the encouraging words addressed to us two days ago by his distinguished Minister of Finance. But no really significant investment is being

placed in the periphery. The developed countries continue to attract the petroleum-exporters' investments, while the developing countries go on awaiting them, admittedly without displaying any very striking capacity for initiative in order to obtain them.

Meanwhile, the transnationals are doing what best suits them in respect of trade in manufactures, and this does not always coincide with what is best for development. They are shrewd as regards exploiting their technology and their constant innovations in our domestic markets and in their export trade with other developing countries, but they scarcely avail themselves at all of the huge market of the industrial centres. Why not? Can this be called internationalization of production? Of course not. The consumer society is being internationalized, but the internationalization of production is encountering serious obstacles.

The situation thus arising in relations between the Latin American periphery and the centres is more than strange; it is paradoxical. The goods produced by the transnational corporations have generally enjoyed the benefit of tariff reductions which have been agreed upon by the developed centres and which have contributed to the notable expansion of world trade. Yet the transnationals seem reluctant to export these goods to the centres when they are produced in the periphery, despite the great opportunities which such tariff reductions afford. And in the case of certain processed and semiprocessed products in the manufacture of which the Latin American countries have acquired technical capacity and competitive ability, the tariff schedules of the centres raise what are sometimes insurmountable barriers to Latin America's exports.

In this there is flagrant irrationality. The dynamic role of the transnationals in the development of the periphery is blazoned in the centres and they are given incentives to penetrate into the peripheral countries. But at the same time the centres pay no heed to the necessity of responding positively to those countries' export efforts, in default of which the financial remittances of the transnationals help to aggravate the tendency to external disequilibrium, thus creating new factors that weaken the dynamics of peripheral development.

The phenomenon of disequilibrium, of the external bottleneck which some believed had been done away with during the international boom period that ended in 1973, is once again making itself manifest. This is an unquestionably serious matter, for the bottleneck tendency, in conjunction with insufficient capital accumulation, considerably slows down development.

Here I want to stress my profound concern at what these facts imply. We need to reach and maintain high rates of development in order to solve our problems: high rates combined with progressive income redistribution and a different composition of the social product. We have already shown our capacity for more thriving growth than was thought possible a quarter of a century ago. But this growth must be far more intensive still if we are not only to absorb, at rising levels of productivity, the increment in the labour force, but also to ensure that the lower strata, which are stagnating in a 'sub-consumer' society, are productively incorporated into the system. The task will not be easy, considering that in this last quarter of the present century the labour force will grow faster than the population, and will have doubled by the year 2000.

Thus, a greater effort than in the past will be required in order to cope with this situation, for the moment unmanageable. The rate of economic and social investment must be speeded up, and so must the rate of exports, in order to attain the vital goals of development.

This problem of absorbing the population of economically active age is extremely serious from the social and political standpoint, and if I did not lay the strongest possible emphasis on that fact I should be failing in my intellectual duty: the duty of a man who has always sought to examine objectively, but not without human warmth of feeling, the course of events in Latin America. This is what I do and shall continue to do, refraining from indulgence in the scepticism of eventide.

It is not merely those at the bottom that have to be absorbed, but also those, chiefly in the middle strata of society, who have enjoyed the privilege, denied to the others, of receiving education and vocational training: new generations that in face of the insufficient dynamism of the system find their life horizon seriously restricted.

It is easy, then, to understand their refusal to conform, their frustration and the spirit of rebellion which leads them to call the whole system in question; not merely its incapacity for productive absorption of the active-age population, but also the stubborn reality of the social exclusion of the lowest strata from the system, and, among those who are within it, the distribution struggle—a struggle which is governed by no regulating principles, and moves farther and farther away from social equilibrium as the forces of production make progress for the main purpose of satisfying the consumer society. The distribution struggle thus tends to create a disparity

between the economic process and the democratic process, with very grave consequences. The disparity cannot be remedied by curbing or suppressing the democratic process; rather must the economic process undergo a fundamental transformation, so that individual initiative and market forces can acquire the social efficacy they lack today.

This brings us face to face with one of the key problems of our time: the loss of confidence in the values inherent in democracy—one of the major *idées-force* of western civilization—both by the few who find their privileges in jeopardy and by the many that are crushed under their daily burden of poverty, under the degradation of their human condition.

In referring to the non-conformity of the younger generations, I do not want to oversimplify a highly complex psycho-social phenomenon. But I am inclined to believe that if here, in what we used to think of as a Promised Land, certain ideological seeds take root and grow, it is because the great internal and external contradictions of development afford favourable conditions for them to bear fruit. Bitter fruit of violence, germinating counter-violence... and so on, in a tragic spiral.

In these unhappy circumstances, is it not inevitable that human rights should be feelingly invoked? It cheers me to find everywhere, and especially in the Northern hemisphere, sincere and troubled concern for human rights, eloquent proof of which was the speech delivered yesterday, with such force of conviction and sincerity, by Ambassador Andrew Young. A generous irradiation of human solidarity, not to be confused with certain meditated acts of punitive hegemony, such as the proposal to saddle the international credit institu-

tions with the inadmissible role of applying discriminatory sanctions; as if we had not already potent reasons to deplore some of the ways in which great international interests exert political influence in matters that should be our countries' own exclusive province.

I cherish the fervent hope that this demonstration of human solidarity on the part of the centres may signify a vital *volte face* in the history of their relations with the peripheral countries. However, if this is to be the case, it is not enough to concentrate attention only on symptoms, on external manifestations. We must go deeper, right down to the factors responsible for the events that arouse our concern.

Two centuries of belief in the virtues of the unrestricted play of international economic forces have stifled consciousness of the ethical responsibility of those who were the first to forge ahead towards those that have lagged behind: a responsibility that embraces trade, financing, technology and the transnationals.

That same faith in the spontaneous play of economic forces, applied to the

internal economic forces of our own countries as well, has made us lose sight of supremely important human principles. Ethics is one and indivisible. In face of the major ills of development, the inescapable fact of their ethical basis must be reaffirmed. We must not forget this at the present crucial moment, when we are on the very verge of a planetary crisis of unexampled nature and magnitude, but also see before us the possibility of a utopia once inconceivable: a utopia consisting in the intelligent and socially meaningful use of the great contributions of science and technology to secure the lasting welfare of our peoples — a utopia which, if we make up our minds to it, will become a reality. What is needed to achieve it is an ethical 'big push' in the centres and the periphery alike... Ethics, and rationality as well, to build not only a new international order, but also a new internal order, without which measures of international co-operation, however enlightened, will not lead to the great changes for which the periphery clamours at this exceptionally vital turning-point in its history.