



ECONOMIC
AND
SOCIAL COUNCIL



GENERAL
E/CN.12/481
29 May 1957

ENGLISH
ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Seventh session
La Paz, Bolivia

ADDRESS DELIVERED BY THE RAPPORTEUR, MR. ROBERTO OLIVEIRA
CAMPOS, AT THE CLOSING MEETING, ON 29 MAY 1957

ECLA has always stressed in its documents the advantages of international division of labour. I propose to put that principle into practice. The Secretary will read the document issued under the symbol E/CN.12/451, which I have presented as Rapporteur of this session. Since this report is objective and based on facts, it runs the risk, like all official documents after a 15-day conference, of being a passport to the realm of boredom. In my quaint scheme for the division of labour, I have reserved for myself the more agreeable task of giving some impressions of the road travelled by ECLA, and of its probable destination.

As far as international trade is concerned, nobody can claim that the advantages are always equitably distributed between the trader countries. Dr. Prebisch himself supports the theory that over the long term the division of labour along traditional lines results in unfavourable terms of trade for under-developed countries. My procedure in this case is merely an example of the possible injustices of any system of the division of labour, since I retain complete freedom

/of speech

for myself, whilst condemning the Secretary to the bondage of a prepared text.

It seems to me worth while to cast a retrospective glance over ECLA's work and to try to discern the directions it will take in the nebulous future, especially since this is the last session that will be held in the first decade of ECLA's existence.

What has our organization achieved during these ten years? What has it taught us? What promise does it hold out for the future? I will try to reply to these questions in a much more personal vein than any that official responsibility might dictate.

ECLA has made several important contributions to economic thought and Government policy in Latin America.

In the first place, it has created, or actively helped to create, a "philosophy of development". Study of the experience of our countries, and the identification of the technical variables that affect, though they may not always account for, the process, shows that economic development has ceased to be a game of chance, and has become a vigorous and rational social project. From a subject for speculation by the initiated, it has turned into a concern of Governments and a duty for politicians.

Perhaps few words are repeated so often at meetings of Latin American Ministers as programming and planning. It is true that these concepts are sometimes formulated too

/optimistically, and

optimistically, and with too much confidence in our ability to control the economic variables, but the mere fact that they are enounced reveals a healthy desire on the part of Governments to guide development rationally, since the key feature of all our countries is that we are too poor to afford the luxury of making mistakes. From this point of view, ECLA's work has been not only technical, but also superlatively educational.

ECLA's second contribution has been an interpretation, at once original and realistic, of foreign trade phenomena from the point of view of under-developed countries. Mention must be made here of its constant effort to offer a dynamic interpretation of the theory of comparative costs, in order that due consideration may be given to the effects of the displacement of agricultural labour consequent upon increased productivity, and the need to employ such labour in occupations capable of raising productivity in the country as a whole, although at comparative costs that are sectorially unfavourable.

Another aspect deserving of mention has been the stress laid on the differing behaviour of demand for imports on the part of the industrial centres and where the countries of the periphery are concerned. This is conducive to a more realistic notion of the significance of trade restrictions or protectionist measures when applied by peripheral countries. In this latter case, such measures generally lead merely to a change in the composition of imports, whereas in the former
/they result

they result in a reduction of aggregate volume.

More controversial, but imaginative and stimulating as a challenge to thought, have been the observations on the unbalanced distribution of the advantages of productivity between regions with a primary economy and industrialized areas, which over the long term is likely to result in an unfavourable development of the terms of trade, to the detriment of the reflex-economy areas. No less important have been ECLA's lessons on the process of industrialization as an instrument for absorbing labour displaced through an increment in rural productivity, and as a means of counteracting the inadequacy of the capacity to import, in cases where owing to the scant possibilities of an expansion of external markets, exports cannot be increased at real costs lower than those of import substitution.

Not all these postulates have run a smooth course along the routes of economic theory. Some of them, such as that of the unfavourable trend of terms of trade, call for important theoretical and statistical qualification. It is undeniable, however, that Dr. Prebisch's work blows like a new wind in the static fields of international trade theory, giving the Latin American economists cause to reflect before confining themselves to repetition .

A third contribution is related to the problem of the function of foreign capital in the development process. It is common knowledge that foreign aid cannot replace savings
/in any

in any country; savings are fundamental in economic development. In the meantime, foreign capital may play a decisive part, either by providing an additional margin of saving, which can expedite capital formation, or by strengthening the capacity to import, or by permitting the assimilation of technology, or, finally, by facilitating a reconciliation of the aims of short-term monetary stabilization and long-term economic development. Its importance becomes less as the economy's rate of internal growth rises, since the increase in the capacity for domestic saving tends to promote a gradual and unobtrusive absorption of foreign capital. The acceptance of a foreign capital contribution is therefore not a question of likes and dislikes; it is a technical necessity deriving from the state of under-development itself.

The fourth and perhaps the most important of ECLA's contributions has been the formation of a collective - I might even call it supra-national - consciousness of Latin American development, which is gradually eliminating fruitless economic rivalry between the various countries. We are becoming increasingly capable of dispassionately analysing the growth experiences of each of our countries, with a view to noting similarities and drawing instructive conclusions. The idea of "solidarity and emulation" is superseding that of "the struggle for supremacy". The most concrete example of this trend is the Central American integration experiment. Another is our increasing interest in a regional market, to which I

/shall revert

shall revert later.

Just as our Governments have matured politically and technically during the last decade, ECLA's own concepts with respect to economic theory and policy are bound to acquire greater maturity and technical equilibrium. During the Commission's early stages, in an understandable eagerness to stress the importance of a deliberate and energetic long-term development policy, formulae were adopted which perhaps may have led some Governments to under-estimate the negative effects of inflation. Similarly, in the desire to lay solid foundations for industrialization as a dynamic factor of growth, ECLA did not always attach sufficient importance in its early days to the importance of preserving the balance between agricultural and industrial development. Perhaps these changes of stress have performed a useful function. The fact is that I am thinking, with a touch of cynicism, of a saying attributed to the German philosopher Keyserling, to the effect that there are two ways of looking at things: one is to take no notice of them at all, the other is to distort them.

Such is the road we have travelled hitherto. What conjectures can be formed as to the future tree from contemplation of its roots in the past? At this stage I can do no more than express a few personal opinions on possible directions of growth compatible with the political and administrative realities of Latin America.

The first field of endeavour for ECLA, in my view, will
/consist in

consist in the completion of the work on over-all programming carried out so far, by means of assistance to Governments in their sectorial programming efforts, and even, in special circumstances, in the analysis and evaluation of specific projects. The development of the techniques of over-all programming has progressed more rapidly than the administrative capacity of Governments to institute and maintain consistent and steady guiding principles for monetary, fiscal and exchange policy, such as constitute the parameters of programming. The most limited and least theoretically satisfactory effort at sectorial programming, to whatever inconsistencies and errors it may be subject, has the advantage of enabling the principle of programming to be put into practice without waiting until over-all programming has been converted from an elegant technical exercise into an administrative reality.

A second line of research which offers itself to ECLA is the analysis and synthesis of our countries' experiences, with a view to formulating general development policies, which, by including fiscal and monetary aspects, will reconcile long-term solutions with short term problems. All our countries are affected by the cruel dilemma deriving from the need to adopt measures for the immediate restoration of monetary stability without prejudice to long-term economic growth.

Thirdly, we believe that the time has come when ECLA should concern itself essentially with "the agents of development", in their twofold aspects of the individual and the /institution. The

institution.

The problem of increasing the productivity of the human factor through general education and technical training is assuming an importance which cannot be exaggerated, since man is the richest and most flexible of the raw materials of development. Sophocles told us long ago in a fine dramatic passage that watch-tower and ship alike were useless without man. In the programmes and projections undertaken by our various countries, the educational implications of the development effort have often been overlooked; and special attention should be devoted by ECLA to the formulation of the technical coefficients which as far as possible enable the human input to be assessed.

Next comes the problem of institutions. What form must they take in order that their contribution to the development process may be as positive as possible?

There is perhaps no problem more important for Latin American development policy than the creation of machinery whereby savings can be obtained even during a period of inflation; of banking and monetary institutions which will permit efficient control of currency and credit and their channelling productive directions; and of institutions for the regulation of public services, so that government tariff controls do not become an instrument of stagnation.

Finally, there is a task which demands both patience and inspiration, and to which we hope that ECLA will devote its

/best efforts

best efforts in coming years. I refer to the introduction of greater flexibility into inter-Latin-American trade through a multilateral payments system, as a first step towards the establishment of a regional market. The example set by the great economic areas of Russia and the United States, and now by the Euro-African nucleus, demonstrates what great promise the new technology holds out for large-scale economies, where fuller integration of natural resources is possible, and the productivity of investment can be increased.

I think it is time I brought these remarks to a close, but before I do so, I should like to tell you of a picturesque incident which made a deep impression on me.

Some days ago several of the delegations here in this hospitable city of La Paz had the opportunity to visit the village of Huatajata, on the overwhelmingly beautiful shores of Lake Titicaca. There we were warmly welcomed by the local fishermen, who filed before Dr. Prebisch, carrying banners inscribed "Viva la empresa CEPAL" ("Long live ECLA & Co!"). Nobody could help smiling at this original and ingenuous name for our organization. But thinking it over carefully, I realize that the Indians were impelled by an instinctive wisdom. The truth is that ECLA - without as yet embarking on those executive activities upon which our United States friends look so much askance in the regional organizations of the United Nations - has become a great development company. For this is the most noble of the tasks and the most important of the

/enterprises to

enterprises to which statesmen of this continent must devote themselves with faith and resoluteness. Only economic development can oil the wheels of social friction, allowing our countries to achieve social justice without employing force, and attain political stability without depriving the individual of opportunities.

Finally, I wish to thank all the delegations for the confidence they have reposed in me by appointing me Rapporteur; and the secretariat, too, for its great effort to issue in good time a faithful and detailed report of the seventh session, leaving me the more agreeable task of interpreting the past, and speculating as to the future.