

# CEPAL

## Review

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## The looming catastrophe

The  
political and social  
outlook for  
Latin America*Torcuato Di Tella\**

Taking a down-to-earth view of the probable evolution of the main economic conditioning factors affecting the countries of the region, especially the external debt, the author sketches the broad outlines of a strategy for stimulating medium- and long-term development. As regards the external debt he forecasts an increasingly conflictive situation, to the point at which its seriousness will lead to the acceptance of more flexible proposals by the creditor banks and countries. The conflicts will themselves hasten the historical process and help to generate the situations and actors that will strive to relieve the present stifling situation.

Against this background, the Latin American countries must reorient their economic development along the path of industrialization, protection and planning already pointed out by some of them in the 1930s. This implies an emphasis on State intervention and on the improvement of its efficiency, the mobilization of idle resources, the orientation of production towards activities which will help to raise technoproductive, scientific, social and cultural levels, the strengthening of democratic systems and the reinforcement of regional co-operation. This last should not be conceived solely on the economic and financial plane, although this may be very important; the coming years call for a profound climate of solidarity in Latin America leading to collective measures which will sustain and express the power of the region as a whole.

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The medium-term political and social outlook for Latin America is heavily conditioned by the present constraints produced by the external debt. These can only be surmounted by the exceptional expansion of output and exports, or by the collective and radical renegotiation of the terms of the payment of the debt, including substantial reductions in interest rates. The adoption of either of these solutions would result in a series of vicious circles, however, since on the one hand an increase in production and exports requires a capacity for accumulation which is precisely what is blocked by the servicing of the debt. The use of massive contributions of foreign capital would involve heavy remittances of profits; besides, this solution to the problem would imply such a heavy sacrifice of resources that it would provoke insuperable political reactions. On the other hand, collective and radical renegotiation of the terms of the debt calls for a political capacity that the region does not possess, largely because of the weakness of its national economies, destabilized as they are by their straitened financial circumstances (Hill and Tomassini, 1982; Jaguaribe, 1982; Villanueva, 1980).

The situation is so grave that it raises the question of possible resort to extreme solutions. One of these is recolonization, which would have to be accompanied by authoritarian political systems, since public opinion would not voluntarily accept it. The other is a defiant repudiation of the debt obligations, which would generate revolutionary and very probably also authoritarian conditions, although in the opposite direction. If one considers that the crisis situation is likely to persist year after year for an unpredictable period, and if one thinks of the score or so of relatively large Third World countries characterized by high political instability, a mere calculation of probabilities leads to the conclusion that the time will come when some political elite will decide—as in the case of the Falklands invasion—to break the rules of the game. This denouement, if it occurs in a small country, may be absorbable by the international Financial system without problems. If, on the other hand, it happens in a larger country, its impact will be very great. Perhaps it may not be as disastrous for

the financial system of the North as is sometimes believed, but it will certainly cause commotion and will call for a massive intervention by the States of that part of the world to save the system. Moreover, a situation of this type will involve a conflict between the defaulting country and the guardians of international order which might cause the outbreak of war—once again of the Falklands type, but not necessarily with a similar outcome and with possible international complications between the great blocs. Of course in this case it would be the taxpayer, who today is so often described as being unwilling to meet the costs of a radical renegotiation of the debt, who would have to pay the damages, perhaps even without realizing it. Although the North might be able to prevail in such an eventuality, it would do so at too great a cost both in lives or war material and in bank failures, to say nothing of its loss of prestige and credibility in its role as director of the international order. For the Third World country that took the line of default the consequences would also be serious, and would make its action far from advisable in the light of a cold analysis of the advantages and disadvantages involved. But political decisions are not taken in this way, as the countries of the North undoubtedly realize, since they are well acquainted with their own history (Calcagno, Sáinz and de Barbieri, 1972; Lechner, 1981; González, 1981).

This may seem an excessively alarmist prospect, and it certainly would be so if such a course were explicitly proposed. But it is highly probable that events of this type will take place within the period of 15 to 20 years considered in this paper, since it is unrealistic to suppose that the Third World countries—with one or two exceptions—will be able to solve their present difficulties in this lapse of time. The temptation to break away will continue, therefore, to hover on their horizons, firing the imagination of one or another of their leading elites or counter-elites. Put in another way, this is very much in line with Henry Kissinger's declarations in the sense that, if our institutions are not sufficiently consolidated, our kind of countries could give rise to new revolutionary leaders.

Far from being alarmist, however, the outlook may even be considered as moderately good if one thinks of events like those that accompa-

nied the independence of India, the wars in Biafra, Bangladesh, Iran and Iraq, or the Cultural Revolution of China or Cambodia. It is true that in Latin America the economic and social conditions are on the whole less distressing than in the greater part of the Third World, but there are still extensive regions, and even entire countries, where the standard of living is close to the subsistence level. Moreover, the constraints caused by the public debt apply to all, and we cannot be sure that even the more prosperous regions, once they enter into crisis, will not be the scene of political phenomena which are equally or more extreme, albeit of a somewhat different type. Besides, even if the breakaway does not occur in Latin America, its results will make themselves felt in this area.

It is also foreseeable that in the medium term there will be a serious crisis of the economic policy pursued by the present United States Government. The aim of this policy is to offset the deficits on the budget and external trade by heavy public indebtedness and imports of capital, both associated with high interest rates. The resultant strengthening of the dollar makes it more difficult to close the external gap, while the interest rates depress the productive sector, even though they may achieve partial results in reducing inflation. The euphoria, and the consequent backing by United States public opinion, cannot last long, because a simple numerical calculation indicates that sooner or later the apparent remedies become part of the disease. The flows of foreign capital begin to generate contrary currents of financial services, the Government's public debt must be paid at least in respect of its interest, and businesses finally crack beneath the weight of their banking commitments. Of course, the theory behind this policy is that all this reorganizes the productive factors through the discipline of the market, and makes the United States economy once again internationally competitive. But it is precisely this excessive confidence in the virtues of the market that will prove unjustified in the not-too-distant future. The crisis will then demand—as happened at the beginning of the 1930s—a New Deal that will confer on the State a more dynamic interventionist role, particularly in its control of the financial system. Just as there has been heavy intervention in the banking system in Europe

—more for ideological reasons in France, more for practical reasons in Spain— something similar is foreseeable in the United States. The pressure of international debtors will be joined by that of the local producers themselves, some of them transnational in dimension. The current equivalent of a Marshall Plan cannot consist of unilateral hand-outs or of the mass promotion of exports of capital from the centre to the periphery. It must consist, basically, of intervention in and control of the international financial system, involving a radical reduction in the real values of existing credits. This, as will be argued later on, must be accompanied by the stabilization of the prices of the basic export products of the Third World, with a trend towards higher values than the present ones, all of this stimulated by some scheme —politically motivated— along the lines of OPEC.

To sum up, there is a first hypothesis to be put forward, namely, that one or more break-aways from the rules of the international game are going to occur in the next twenty years, with serious warlike complications, and this will become increasingly probable as time goes on unless other solutions are found. Pursuing this exploration in the future, we may add a second hypothesis, according to which the tendency of the governments of the North to take a hand in the financial system will gradually increase. Unfortunately, one or more traumatic events will be needed to induce these governments to adopt the measures required, which will injure powerful vested interests but which will be necessary for the maintenance of their own social systems and their international role.

Metaphorical speaking, a first recommendation for action deriving from this analysis might be to wait for some "bullock" to cross the river of default and, while the piranhas devour it, take advantage of the confusion or the changed circumstances to cross in force as soon as possible, avoiding the voracious fish, which would most likely be called to moderation in the meantime by the river-god (the most influential

capitalist circles). Although it may not be considered in good taste to recommend this kind of behaviour, it is probable that this is what will actually happen in the end by the mere force of circumstances, without anyone's proposing it. In any case, it is neither possible nor advisable to remain passively awaiting events: something must be done in the meantime, even though it may be a question of exercises which, though they will not give much benefit while the piranhas are patrolling the river, will nevertheless leave more room for manoeuvre on the day when things may change.

Abandoning metaphors, the position is that there are a number of moderate, or gradualist, strategies which for the moment, in face of the harsh conditions of the indebtedness dilemma, do not hold out much hope of great results, but which might be successful in a different international setting. Let us, in fact, return to the two (non-extreme) methods of overcoming the existing constraints which were put forward at the beginning. One was the increase of output and exports and the other the renegotiation of the financial burden. Increasing exports involves greater access to the markets of the developed world, which are today firmly closed as soon as there is any serious competition with local producers. When the predicted breakaway has taken place it will be easier—perhaps not for the country that takes the plunge, which will be "punished", but certainly for the others— to obtain adjustments in this field. And the same will occur as regards financial renegotiation. Something similar will happen on an international scale to that which took place in the advanced industrial economies with regard to the relations between capital and labour. Compared with the danger of revolution —experienced directly or indirectly— unionism will no longer seem a lesser evil, but rather a positive good. Thus, just as today some sociologists say that strong trade-unionism is the chief barrier against revolution, the day may come when the debtors' clubs are organized from Wall Street.

## II

### The need for an interventionist State

Latin America lacks capital, yet at the same time it has idle capital. It is short of trained technicians, but it has technicians without employment. It needs skilled workmen, but it has them largely underemployed, thus wasting their skills. Moreover, it has an abundance of unskilled labour, both urban and rural, which seeks opportunities without finding them and forms a marginal mass. It cannot be expected that mere market forces or international capital movements will correct this situation. What is needed is intervention by the State, compatible in varying degrees —according to the conditions of each country— with the complementary and still important role of the market forces. State intervention, notwithstanding, is not a panacea, and is frequently a hindrance to the productive forces if it is not performed with efficiency. The fact is that in this field there are simply no panaceas, either of the free-market or of the controlled-economy type. The mobilization of national resources calls for the solution of a complex equation with many variables, taking into account the requisites both of private and of State enterprise, of the market and of planning, of technocracy and of the participation of interested parties.

It is sometimes said that in our countries the State is such a bad administrator, so corrupt, or so permeable to political influences in conflict with efficiency, that it is better to reduce its role to the minimum, removing it not only from the area of production but also from that of planning. Expressed in these extreme terms, this argument is too ideological and by no means valid, because although a badly administered State is capable of committing appalling errors, a market left to itself can do much worse, as was demonstrated by the crisis of the 1930s —with its sequels of fascism and war— and several other earlier cases. In most of the countries of the area it will be necessary to seek combinations between State and private enterprise. But the State must be converted into an efficient instrument, with its sectors more isolated from the pressures of party politics than is the case at present. There is a need not only for a bureaucracy, but also for a technocracy with its

own functional requisites —for example, as regards salaries and career structure— and with its own areas of competence which even the popularly elected powers must respect. This means that most public posts, from the lowest to the highest —except some directly designated as political posts— should be assured of stability, and should only be open to specially trained personnel. Only very great changes in our political and party systems will enable this new public administration to be created. Perhaps the process will take more than the coming 20 years which are under analysis here, but it needs to be put forward as a definite proposition now.

Until this new State, efficient and honest, comes into being, it will be difficult to plan our resources with success. If the continuance of the present inefficient State were considered inevitable, the ultra-liberal solution of entrusting everything to the market would be more tolerable. But it would be over-pessimistic to resign ourselves to this limitation, and if on this basis all attempts to use the powers of the State were abandoned, our dependent condition would become permanent. It may however be granted —although it is a controversial topic— that the State is not an adequate direct organizer of production of most of the goods and services required by a modern country. Its limitations stem not only from arguments of efficiency but also from the impact of such a monopoly on public liberties. But it is quite a different matter to assign to the State an important interventionist role in the creation of the broad parameters or rules of the game within which the economic actors move and to grant it a function, through quasi-autonomous ministries or enterprises, in certain areas of production.

Both the example of the United States and that of Western Europe show that this can be done in conditions of efficiency and freedom. In the case of Latin America the weakness of the entrepreneurial elements will require an expansion of the role of the State. Since the State we have is inefficient, however, another vicious circle is created here, through the need to employ a

badly designed instrument. But there is no alternative, and its continuous use should provide the experience to improve it. If we were so influenced by the inefficiency of the State that we decided to put much more reliance on local or transnational entrepreneurs, even more vicious circles would be created.

The local entrepreneurs are just as full of defects as the State, and in the dog-eat-dog situation which characterizes our economies they have no option but to act with excessive individualism and speculation. The foreign (transnational) enterprises may sometimes give an appearance of more stable activity, with greater resources and more continuity of objectives, but it would be anti-national and courting Balkanization to rely mainly on them. Some oft-quoted examples of their role, as in the countries of Southeast Asia (South Korea, Taiwan, Hong Kong and Singapore) are not relevant, because there the State has a supremely directive function, especially in the two largest mentioned, not to speak of Japan (Fajnzylber, 1983; Fishlow and others, 1980; Chenery and others, 1974). The secret of success in these countries does not lie in the (non-existent) transnational paradise they are sometimes claimed to offer, nor in the authoritarianism with which they are governed or have been governed in the past, but in their characteristic strong social solidarity. This social solidarity, which gives priority to national and productive objectives over sectoral or distributive aims, is the result of their peculiar historical evolution. Its effects on their mode of life and public liberties are complex, and not readily acceptable to broad sectors in countries which,

like those of Latin America, have lived through long periods of enjoyment (albeit only partial) of public liberties and reaffirmed individualism. It is not easy to change these Latin American attributes, although it would do us no harm to show a little more social solidarity: that is, a lessening of the intensity of conflicts between social classes, pressure groups, and other corporative sectors. But this greater solidarity is generally based, to judge from historical experience —on the acquiescence or passivity of the popular classes. In most of the Latin American countries these popular sectors are not disposed to contribute so humbly to national solidarity; and the upper strata would have to make too many sacrifices —as they see them in terms of their values and expectations— to be able on their side to help to create this solidarity. It is not realistic to expect either of these two things to happen, so that for good or ill the outlook for our continent is the continuation of situations of scant solidarity and hence of little social legitimacy for the existing hierarchical structures, including private or public enterprises, scientific and technical institutions, and political entities. If we had the per capita product of Western Europe or the United States we might, despite what has been said, create a situation of greater solidarity and legitimacy. It so happens, however, that we have a large dose of the individualism and sectorialism of those countries, but not their resources, and this accounts for the peculiar bellicosity and tensions of our political confrontations. What is needed is to recognize this fact and to adapt both our institutions and the mentality of our controlling groups to the creation of solid institutional structures in these conditions.

### III

## The mobilization of idle resources

The State —progressively consolidated in the manner indicated— should facilitate the use of the idle resources in the region. One way of doing this is to help to create a larger economic area through the unification of markets, whether at the overall Latin American level —a somewhat remote objective— or through subregional

groupings such as the Andean Group. These subregional groupings, possibly restricted to certain industries and to countries which are nearer together or whose economies are already more associated, are easier to bring about, because they involve a smaller number of actors. These actors comprise the respective States, entrepreneurial

groups and trade unions; furthermore, as a dynamic element, the political parties and ideological groups must also be taken into account here. The unification of markets, like any other economic phenomenon, is really a political process, which must transcend the purely corporative element to be successful. The Andean Group is a good example, and this was especially so at the time of its formation, when the central role was played by the Christian Democratic Parties which were ruling in Venezuela and Chile and had affinities with the Conservative Parties of Colombia and Ecuador. Among the popular parties of this region the strong links between Democratic Action of Venezuela and the APRA (American People's Revolutionary Alliance) of Peru are well-known; they are influenced by the Social Democratic Party and have affinities with Colombian liberalism and the Revolutionary Nationalist Movement of Bolivia. Another example of this type of grouping restricted to a few countries and also to only a couple of industries is the European Steel and Coal Community, launched a little after the Second World War and embracing productive sectors with large concentrations of private and State entrepreneurs. The coincidence of views of the Christian Democrat governments of the Federal Republic of Germany, France and Italy, along with this party's participation in the cabinets of the Benelux countries, facilitated this project. The Social Democratic movement, albeit more reservedly, also supported this plan, although at the union level it was only strong in the Federal Republic of Germany and the Benelux countries. The Communist parties of France and Italy did not favour this attempt at capitalist planning, especially owing to their general position at that time, which was much more challenging than the attitude they assumed later.

The European Common Market owed much to that first experiment in limited co-operation among six countries (in practice, four units, since Benelux was regarded as a unified entity). In its turn, the Common Market itself went on slowly expanding on the basis of that small initial number of associates, after the failure of some other projects such as the European Free Trade Association sponsored by Great Britain and a number of peripheral countries. The ambivalent position of Great Britain, hesitating between con-

tinuing its relations with the Commonwealth or deciding to throw in its lot with Europe, has so far hampered its fuller incorporation into the European economic project. Moreover, the popular parties—not only in England—have continuing doubts as to the expediency of participating in this supra-national planning, which, owing to the nature of the political forces in play, cannot fail to give more weight to the capitalist sectors of the countries concerned than is possible within national boundaries in situations more favourable to a socialist evolution. But the advantages—economic as well as political and cultural (and to a certain extent also military)—of the unification of markets are in the long run overcoming resistance. Within a larger economic area it is likewise feasible to adopt certain protectionist measures of a clearly strategic nature (such as those designed to ensure food self-sufficiency) which would be considered excessively onerous, if not impossible, at the national level. All these aspects are examples of the close interweaving of economic motivations and factors with ideological or political considerations that lies behind a plan for the unification of markets. The mobility of labour that this implies is also facilitated, in this case, by the similarity in the level of social and cultural development achieved by these countries. The fact of having begun with a few State and private actors whose historical experience led them to make radical innovations in their former practices in order to survive is also an element in their success.

This experience suggests that in the next two decades or so the best strategy for Latin America will not lie along the lines of LAFTA or ALADI, and much less in the search for a common market for the whole region—not because such measures would be undesirable, but because of their impracticability. Although ALADI can provide a frame of reference, it will be more rewarding to attempt to bolster up the Andean Group, or revitalize similar groupings in Central America or the Caribbean. In the southern part of the region, complementation agreements between Brazil, Chile and Argentina, perhaps limited to certain industries, would be the equivalent of the European Coal and Steel Community. In order to enjoy the political support without which they have no future, such agreements require the consolidation of the democratization processes



which are occurring in these countries; they could also include Uruguay and Paraguay. The necessary ideological solidarity, on the other hand, will require a creative effort, especially on the part of the intellectual sectors of these countries, to redefine in more universalist terms such apparently national phenomena as Peronism, Radicalism and Varguism. The Right, moreover, must not be absent from this scheme, although its associations with repressive régimes will deprive it of legitimacy for quite some time. Without a political Right, however, the entrepreneurial sectors of these countries will not feel that they have sufficient backing to participate fully in supra-national projects.

In addition to economic unions among countries relatively close to each other there is also the prospect of collaboration—perhaps in particular among the largest countries of the region—on specific projects such as that recently launched by certain official banks of Mexico, Brazil and Argentina for the creation of a multi-lateral marketing enterprise for capital equipment.

All these projects imply the creation of large economic areas, in which there will be competition among enterprises of the countries involved, though protected to some extent from foreign competition. At all events, this question of competition will need considerable supervision, because of the heavy pressures on each State to subsidize its own nationals. These pressures will be so strong that they cannot be disregarded, and it is better to bring them out into the open and make them the subject of negotiation. The situa-

tion would be something like what happens in Europe with agricultural production, which needs to be subsidized. For similar reasons—economic, political, cultural and strategic—Latin America should subsidize its industries and plan its difficult entry into the sphere of regional competition. Moreover, the role of these same industries in exporting beyond the area must certainly be considered (SELA, 1983; SELA, 1984). But the first step in escaping from the asphyxiating atmosphere of the national markets is to get used to competing among entrepreneurial units which are relatively the same in strength, dimension, level of technology and capacity for mobilizing political resources. This need for homogeneity is precisely what places limits on the size of the projected economic unions. In the southern part of the region it is essential that at least Argentina and Brazil should take part in the projects, because of the already considerable volume of their trade and particularly because, given the potential rivalry between these two countries, the success or failure of the whole Latin American integration project depends on their convergence. The type of trade to be promoted is not wheat for coffee, and much less apples for automobiles, but rather products of a similar technological composition. This means that within the free and competitive area there must be a major sector with some kind of regulation. To use a phrase that was fashionable in Argentina some years ago, candies are not the equivalent of steel, although by producing many candies one can buy any quantity of steel. But this subject needs to be dealt with at somewhat greater length.

## IV

### The extra-economic effects of industry

The difference between producing a million pesos worth of candies or of steel does not reside in the amounts exchanged, which by definition are equal, nor even in the income they generate, which in principle is also equal, although it may be differently distributed among the factors of production. To assess the real difference it must be borne in mind that industry does not only

need labour as one of its inputs but that it literally generates it. This is because the labour in question—including in this term not only manual labour but also the administrative, technical and management levels—is formed (or its formation is consolidated and strengthened) by means of work. It is the working situation which promotes higher skills, through training on the job, or

through the individual training that the demand for work promotes. But industry does not only generate manpower with a certain degree of skill: it also entails the creation of a number of institutions—businesses, associations representing these businesses, and the trade unions that these make possible. In effect, there will be a difference between the iron and steel workers' union and that of the candy workers just as there will be a difference between the iron and steel entrepreneurs and the owners of the candy factories. Care is called for in making these distinctions, because work is equally honourable in any activity, whether at the manual or at the technical or entrepreneurial level. Nonetheless, from the sociological point of view, the two realities created in this way—components of social classes—will be appreciably different. To begin with, the scale of the organization will be very different: the complexity of the entrepreneurial structure and of the technical services involved—including the scientific, cultural and political services—will be much greater in the one case than in the other. A modern country requires techniques of production and organization—not only as regards production but also in social and cultural matters—that operate on a large scale, with a high scientific component and a complex division of labour. Perhaps it would be preferable to have a society where activities were on a smaller scale, although highly qualified from the scientific and cultural point of view: for example, computation or electronic services, repair or production of specialized components, or artistic handicrafts. But this is very different from the production of candies, or even of wheat, meat or leather. It is true that in these fields also advanced technologies can be applied, and research institutions set up to supply them. But it is very difficult to construct on such limited foundations (still referring to wheat, meat and leather) a complex division of labour, a rich and varied occupational structure, and a diversified organizational and associative experience. In practice, this does not happen, and if this collective experience is to be conferred on a country it must be by way of industry. Obviously, it is not necessary to produce absolutely everything, and perhaps steel can be dispensed with. In this case, however, there will have to be specialization in something else that will have the same secondary occupa-

tional and institutional effects as those mentioned above.

In other words, the problem of the division of labour must be considered with care, taking into account its social aspects and not only its economic components in the strict sense of the word. The division of work between the engineer, the physician and the musician is different from that which distinguishes any of them from the instrument-maker, the nurse, the unskilled manual worker or the labourer. The first is essential for the progress of a society; the second, though also necessary, forms the basis for social domination and class privilege. Similarly, the international division of labour is one thing if some countries produce tractors and others cars, or if some make computers and others telescopes; but it is quite another matter if some produce any of these things and the others provide shoes, or bread, or minerals, all at low prices, or wait to receive the former to entertain them during their vacations in hotels and bars. All this does not mean that it may not be necessary, or inevitable on occasion, for a country to be reduced to producing or providing one of these things, while hoping to improve its status with the passage of time. But in all probability, unless it has vigorous political guidance, it will never achieve that improvement. Things may even get worse if through some combination of circumstances, like Argentina or Uruguay, it has experienced a prosperous version of that paradise of the international division of labour based on the production of cattle and grain. If that prosperity came to grief, it was certainly not due to the fact that someone took it into his head to industrialize, defying the laws of the international market. The market, with its crises, is perfectly capable of destroying those artificial paradises. The logical answer to these crises is a strategy of industrialization, to employ the population which now can find no place in the earlier scheme. And here, it is true, many mistakes can be made, as certainly happened in various countries of our continent. Or perhaps, rather than mistakes, one should speak of circumstances and crises which made it very difficult to apply measures successfully. The primitiveness in the technological, entrepreneurial, cultural and political fields of a country dedicated to the production of a few primary goods augured ill

for its future prospects. Other countries in similar conditions of primary production, like Australia or New Zealand, had more success. It would need a more comprehensive study than can be attempted here to probe into the causes of the difference. But if these countries went ahead it was precisely because they abandoned their concentration on primary production and became industrialized, assisted to a large extent by the stimuli of close involvement in a major war.

The classic economic theory takes into

account, to some extent, the type of factors mentioned here, when it speaks of external economies, or of social costs as distinct from private. But it does this in a tangential manner, without exploring in depth all the aspects of the said external economies, particularly the creation of complex institutions, ranging from enterprises, the public administration, or trade unions to political parties, universities and the world of culture, which, in the final analysis, develop in response to the labour, technical, administrative and organizational demands in industry.

## V

### The new industrialization

To some extent it is necessary to retrace the road of industrialization, protectionism and planning which several Latin American countries hesitantly began during the 1930s, continued owing to war scarcities in the early 1940s, and then adopted by political decision in the postwar years. It was a period characterized by populist régimes and various forms of democracy with limited participation, which in some cases were abruptly terminated but in others managed to survive the buffetings of an increasing unfavourable international climate. On the basis of the experience accumulated it is necessary to correct several aspects which are sufficiently important to make the process virtually a new one. Although the situation differs from country to country, some common elements can be mentioned as requisites of this new industrialization:

i) To begin with, the operations must be on a regional scale, or rather subregional, owing to the above-mentioned difficulties in generating real social forces which will give adequate backing to associations over very extensive areas. One of the stifling elements of the earlier stage was its limited national setting; it is no accident that the countries in which industrialization was most successful were Brazil and Mexico, the largest in the area. Protection, therefore, should be applied on a quasi-continental scale, and there should be an attempt to reorient the trade flows within this area and to strengthen, among other things, its internal means of communication.

ii) The process calls for the backing of democratic political systems, with the total participation of the population. This differentiates such systems from the preceding stage, when in many cases the systems were based on populist régimes with no particular respect for opposition. After the widespread attempts to obtain radical change through armed conflict or favourable military coups, the leftist and populist groups are slowly coming to understand the requisites of democracy, which include, *inter alia*, control over the most extreme or impulsive members of their own militants, and the abandonment of the illusion that they are the only genuine representatives of the people. The division of the electorate into competitive groups are slowly coming to understand the requisites of democracy, which include, *inter alia*, continue to extend to an increasing number of countries. The consolidation of democracy will be accompanied, in addition, by greater legitimacy and security of ownership and control of productive enterprises and of cultural and mass communication institutions. Although it is logical that possible changes in the system should be proposed from different angles, the consolidation of democracy calls for relative moderation in the proposals, thus facilitating investment in the private sector.

iii) The State must become more technified in order to fulfil its planning role. This, in its turn, calls for stability, in order to undertake

long-term programmes, which are the only ones that can give good results. To control recruitment into the public service and establish the system of promotion based on merit implies very radical changes in our customs and in the procedures of political parties. The transformation will be assisted if the number of these parties is reduced, preferably to two opposing positions. This will prevent one of the most serious forms of unemployment: that of politicians who head small groups doomed to stagnate or survive through partisan action or continuous reshuffling of parliamentary majorities. The existence of only two or three large parties or permanent coalitions acts as a factor that weeds out leaders and offers them a more solid career and experience of team work.

iv) Industrial promotion should not only be based on the direct economic aspects of investment ("static comparative advantages") but should take into account its impact on the institutional, cultural and university system and on the consolidation of highly qualified social strata ("dynamic comparative advantages"). Because of this, the capital goods industry and others of high technology should have their place despite their apparently high costs. Moreover, the problem of the arms industries has to be faced. Although it would be desirable to see the world free not only from the production but also from the use of armaments, the ideal of peace cannot be based on the premise that the great dominant centres should be Leviathans which monopolize the manufacture of elements of destruction. It is true that the proliferation of arms ends by promoting local wars, such as some going on at the present time. But these wars are also a clear example of the fact that the main variable lies in the existence of aggressive régimes which, if they have money, can buy whatever they want. The local production of arms will give countries some autonomy in the face of the possible confrontations with the dominant centres which are to be foreseen according to the argument at the beginning of this article.

v) On the ideological plane, supra-national identities must be created within a regional framework. The specific nationalisms of each country, although they may continue to fulfil

their function, should be integrated into a Latin American projection. The same should be done with the other ideologies, so that joint action will be facilitated, not only through continental solidarity, but also through the rapprochement of parties and intellectual groups across the frontiers. The knowledge of our mutual histories, traditions and social realities should be made a priority aim in our educational programmes, at all levels, from primary school to university and research activities.

vi) The countries must prepare themselves for collective international political measures. These could take the form of cartels of primary producers, like that of the oil producers. Copper and bauxite are good candidates in this respect. There are no quick results to be obtained in this, and it takes a long time to prepare the ground for these unions, which demand political and ideological solidarity going beyond mere economic advantages, since otherwise the drive is not sufficient. Collective action can also take the form of moderate interventions in conflicts between countries of the area and some of the dominant centres, such as that which gave rise to the Drago doctrine in face of the attempt at the forcible collection of the Venezuelan debt. Negotiations regarding the external debt will provide more and more occasions for this type of activity.

In completing this list of lines of action we return to the problem mentioned at the start, namely, the constraint caused by the external debt, which robs us of the resources needed for the success of the programmes proposed. However, the constraint is not total, and a series of measures such as those suggested are possible within the limits imposed by the present crisis. Since the results are bound to be slight and slow, many aspects of the situation will continue to get worse and will produce explosions of various types in some areas, whether in Latin America or in the rest of the Third World. These explosions will speed up the tempo of history and facilitate the task of those who wish to transform, in a moderate and negotiated but increasingly radical manner, the factors which deny us liberty of action today.

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