

Background information - Evolution of ECLAC ideas

1. Origins and the 1950s: industrialization
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For over fifty years, ECLAC has been the main global source of information and analysis concerning the economic and social situation in Latin America and the Caribbean. It has also been the only intellectual centre in the entire region that has been able to generate its own analytical approach, and consistently maintain and refine it throughout that period.

The ECLAC method has been enriched by a fertile interaction between the inductive method and the theoretical abstraction originally formulated by Prebisch. The method was constructed around the periphery-centre dichotomy, which performed a twofold analytical role: first, it affirmed that the periphery-centre structure created a specific "periphery" pattern of integration into the world economy, which consisted of producing goods and services for which there was little growth in international demand, and importing goods and services for which the internal demand was rapidly expanding, while assimilating consumption patterns and technologies that were appropriate for the centre but often unsuited to the availability of resources and the income level of the periphery; second, the periphery socioeconomic structure determined a particular mode of industrialization, introducing technical progress and growth, as well as a particular way of absorbing the labour force and distributing income.

Under the influence of intellectuals such as Celso Furtado, Aníbal Pinto and Aldo Ferrer, the perspective of the historical formation of the region's countries was added to the structuralist dimension, forming the "historical-structuralist" method of research and analysis. On the basis of this twofold perspective, ECLAC developed as a school of thought specializing in the analysis of medium- and long-term economic and social changes in the Latin American and Caribbean countries.

In 1998, on the occasion of celebrating its five decades, some of the main texts were collected in the book "50 años de pensamiento en la CEPAL". This commemorative book has the virtue of facilitating the selection and reading of the theoretical works of ECLAC, as the institution has produced a very extensive number of publications. The book contains 28 selected texts, introduced by a guide for their reading.

The introduction to the book reconstitutes the intellectual path of the institution over the period 1948-1998 and presents the reader with the most significant theories and selected texts, placing them in their historical background and in the context of the work of the institution as a whole. Readers seeking greater depth are also advised that many papers assessing the thought of ECLAC are available to facilitate a study of the institution's intellectual history.

The theoretical work of ECLAC can be organized around two central characteristics of the thinking of the institution.

First, the methodological focus has remained the same, independently of the number of stages in which it may be subdivided. The part that does change is the real history that is being analysed, and also the ideological context within which it is generated, which requires a constant shading of emphases and a renewal of interpretations, in order to adapt to the new historical contexts.

Four analytical features are common to the five decades: the first refers to method, that is, the historical-structuralist focus; two others refer to subject areas: analysis of international integration and analysis of internal structural conditions (growth and technical progress, and the relations between the latter, employment and income distribution); finally, there is the level of analysis of the needs and potential for state action.

Second, the systematization is made easier by the fact that the ideas are "historically determined", almost down to the last detail, and because they can be ordered around transforming "messages". Five phases can be distinguished in the first fifty years of the work of ECLAC, organized around "key ideas" or "messages": (a) origin and 1950s: industrialization; (b) 1960s: "reforms to facilitate industrialization"; (c) 1970s: reorientation of development "styles" towards social homogeneity and diversification to promote exports; (d) 1980s: overcoming the external debt crisis through "adjustment with growth"; (e) 1990s: changing production patterns with social equity. Coincidentally, each phase lasted for approximately one decade, and they closely follow the historical development of the Latin American region.

Table 1 summarizes the two sets of elements referred to above - the analytical levels and time periods - in order to record the main theories that were generated under their impulse. The table offers an idea of the set of analytical instruments provided by the ECLAC approach, and serves as a starting point for a guide for reading about the theoretical work of ECLAC over the period 1948-98. The classification of theories and reflections according to analysis "levels" does not imply any lack of unity of thought: the different levels and theories are perfectly integrated by the historical-structuralist method and by the key ideas that determined the theoretical work of each period.

Table 1
SUMMARY OF THE ANALYTICAL ELEMENTS
OF ECLAC THOUGHT

The key elements of the intellectual history of ECLAC in its first five decades of activities are summarized below.

Permanent elements	Historical-structural analysis		
	International integration (central-periphery and external vulnerability)	Internal structural (economic and social) conditions for growth/technical progress, and for employment/income distribution	State action
Periods and topics			
1948-1960 (industrialization)	Deterioration in the terms of trade;	Process of industrialization	Deliberate management of

	structural imbalance in the balance of payments; regional integration	through substitution; perverse trends caused by specialization and the structural heterogeneity; structural inflation and unemployment	industrialization
1960s(reforms)	Dependency; regional integration; international policy of reducing periphery vulnerability; industrial anti-export bias	Land reform and income distribution as a requirement for boosting the economy; structural heterogeneity; dependency	Reform to make development possible
1970s (styles of growth)	Dependency, dangerous levels of indebtedness; insufficient exports	Growth styles, production and distribution structure and power structures; industrialization that combines the internal market and the export effort	To facilitate the style that leads to social homogeneity; strengthen industrial exports
1980s (debt)	Financial suffocation	Adjustment with growth; opposition to the shocks of adjustment, need for income policies and possible need for stabilizing shocks; social cost of adjustment	Renegotiating of debt to adjust with growth
1990-1998 (changing production patterns with social equity)	Ineffective export specialization and vulnerability to capital movements	Difficulties in effective production transformation and in reducing the equity gap	Implementation of policies to strengthen changing production patterns with social equity

1. Origins and the 1950s: industrialization

The intellectual trajectory of ECLAC began with the drafting by Prebisch, in 1949 and 1950, of three documents that contained the basic elements that would figure as the great ideological and analytical references for Latin American and Caribbean developmentalists (ECLAC, 1951, 1962, 1973).

According to Prebisch, the spontaneous industrialization that was taking place had a special significance in the history of humanity, because it represented the possibility for the vast underdeveloped Latin American region to capture the fruits of world technical progress, which had previously been confined essentially to the industrialized countries.

Prebisch thus established the elements of the analytical framework from which ECLAC thought originated. They included both analysis of the international integration of the peripheral economies and the resulting external vulnerability, and analysis of the problem conditions and "perverse" trends (imbalance in external accounts, inflation, unemployment) with which growth is internally processed in the Latin American periphery, in accordance with its inherited structural characteristics: a low level of production specialization and technological heterogeneity. Lastly, the author made a first exploration of the topic of state intervention, which emerged strengthened in view of the problematic nature of industrialization in peripheral structural conditions, which the market would not be able to resolve spontaneously.

For ECLAC, the 1950s were the high point of creativity and the capacity to be daring and influential. Prebisch and intellectual courage are synonyms in Latin America. His supporters within or close to ECLAC were to be no less than Celso Furtado, José Medina Echavarría, Regino Botti, Jorge Ahumada, Juan Noyola Vázquez, Aníbal Pinto, Osvaldo Sunkel and other well-known generators of knowledge about the Latin American situation.

The messages were innovative and the ground for dissemination was fertile. In terms of being historically appropriate, the ECLAC ideology was perfectly suited to the political projects of various governments of the continent. At the analytical level, the general message was fully in tune with the essence of the new "development theory": the underdeveloped countries deserved an independent, or at least an adapted, theoretical formulation, as in some ways they functioned differently to the developed countries.

Basically, with different concepts and formulations of the issue, they were all presenting the same central message, that industrialization policies had to be implemented in order to overcome underdevelopment and poverty.

ECLAC has performed admirably in this context. Not only has it become an indispensable reference centre for Latin American issues, but it has developed its own theoretical framework which has consistently included a good number of conceptual innovations: "central-periphery" relations, deterioration in the terms of trade, structural imbalance in the balance of payments, structural inflation, structural unemployment, development planning in Latin America and regional integration, and others.

2. 1960s: "reforms to facilitate industrialization"

During the entire decade, ECLAC was very active in a series of large-scale initiatives: mobilization of the Alliance for Progress, the topic of regional integration and LAFTA, the creation of UNCTAD, the expansion of technical assistance for indicative planning for the governments of the region.

ECLAC in the 1960s, however, was above all a forum for debating critical ideas in relation to the ongoing development process. The mobilizing talent of ECLAC attracted intellectuals to a debate that turned increasingly around three points that defined the ideological political division: first, the interpretation that industrialization had followed a course that had not managed to share the fruits of modernity and technical progress with most of the population; second, the interpretation that industrialization had not eliminated external vulnerability and dependency, but had only changed its nature; and third, the idea that both processes were an obstruction to development.

The three guiding concepts of ECLAC in the 1960s were the diagnoses of "dynamic insufficiency", "dependency" and "structural heterogeneity".

The most significant addition to the new agenda for discussion of real history was again formulated by Prebisch (1963). The model used in the 1950s texts to explain the lack of capacity to absorb the work force -lack of saving and use of capital-intensive technology- was then oriented to analysis of the social use of the potential surplus. The idea dating from the 1950s that the consumption of the rich classes should be restricted in order to favour investment and technical progress reappeared, focused on the land question. In the field, the large rentier landowners obstructed technical progress, so that access to land for rural labourers, when properly supported by the State, would open the way to enhancing agricultural productivity and improving the use of the surplus. It would also help people to establish roots in the rural areas, avoiding urban marginalization. Celso Furtado's (1969) theory of the trend to stagnation provides a much more extreme version of the lack of dynamism.

The dependency theory has two aspects, political and economic. In the first, the most famous text is by Cardoso and Falleto (1969), which was written under the stimulus of the ECLAC development sociology of José Medina Echavarría. The "economic" analysis of dependency has different political overtones. The most substantial analysis of dependency by economists of the ECLAC line was the one developed by Osvaldo Sunkel (1970). The idea of "dependency" -commercial, financial and technological- has been present in ECLAC since the beginning, although the expression as such was not used before the 1960s.

At the same time and with many analytical coincidences with the dependency interpretations of the ECLAC stamp? Aníbal Pinto formulated his theory of "structural heterogeneity" in the region. He started from the observation that the fruits of technical progress tended to become concentrated, in terms of income distribution among the social classes, and also among sectors (strata) and regions within a country (1965). He subsequently refined his analysis with the argument that the Latin American growth process tended to reproduce in a new form the old structural heterogeneity that had prevailed in the agrarian-export period (1970).

In other words, as according to the dependency idea industrialization had not eliminated dependency, but only altered it, for Aníbal Pinto industrialization had not eliminated structural heterogeneity, but modified its form. In both

interpretations underdevelopment was a process that showed signs of perpetuating itself even despite economic growth.

3. 1970s: reorientation of development "styles" towards social homogeneity and diversification to promote exports

The integration of the elements of the ECLAC analysis accumulated in the previous decades took concrete form in the 1970s through the idea of "styles" or "modalities" of growth. The debate took place in ECLAC, stimulated by four basic influences. First, the economic recovery of the region during the world "boom" of 1965-1973 brought recognition of the fact that land reform and redistribution of income would form the basis for a style of growth that was socially more homogenous and fairer, but was not the only viable style of growth. Second, the United Nations encouraged a major international debate on the same topics. Third, the ECLAC intellectuals made strong criticisms of the methodology of that debate. Fourth, the international crisis in 1973/1974 and the subsequent increase in the level of indebtedness strengthened the emphasis on the need to reorient the "modality" or "style" of industrialization in order to combine internal market stimuli with the virtues of the pro-export orientation of industrial goods.

One of the most categorical statements of that fact that the Latin American economies could be dynamic despite serious social injustices was made in an article by Maria da Conceição Tavares and José Serra (1971), under the direct influence of Aníbal Pinto, who helped to open the way to acceptance of their idea in his influential theory of structural heterogeneity. Referring to Brazil, the authors said that that country's style of growth was "perverse". Within the interpretative line of "styles", perhaps the main reference of the 1970s was the text by Aníbal Pinto published in the inaugural edition of the CEPAL Review (1976).

The climate of debates in the United Nations was another source of stimulus for analysing styles. The Declaration on Social Progress and Development, adopted in 1969 by the United Nations General Assembly, was drafted in such a way as to emphasize social development as the great objective of humanity, and to establish a universal philosophical consensus on the social norms of development. There were two different approaches in the active contribution of ECLAC to that intellectual endeavour.

The first was the "official" approach, as a United Nations body, with Manuel Balboa and Marshall Wolfe as the senior coordinators. The second, analytically more profound and politically more substantial, was what the ECLAC intellectuals did when they were not involved in the preparation of official texts. The discussion of "styles" was of necessity interdisciplinary and facilitated full continuity for the contribution of sociologists, which began in the 1960s. The most representative articles of that harvest are those of Jorge Graciarena and Marshall Wolfe (1976).

The other important topic of the decade has been the search for a new mode of industrialization: combining the internal market and exports. Since the 1960s, the Economic Studies of ECLAC have constantly referred to allocation efficiency problems in the Latin American economic systems, resulting from errors of trade and industrial policy implementation, including excessive protection; and, simultaneously, have restated apprehension concerning external restrictions on growth, that is, with the foreign currency gap. Throughout the second half of the 1970s, the diagnosis of trends and the policy proposals of ECLAC are combined in the proposal to strengthen industrialization and exports as a mechanism for dealing with the difficulties of international integration, and in continuous warnings of the risks of

the region's widespread indebtedness and the risks of commercial and financial opening at any critical juncture that occurred in the countries of the southern cone.

4. 1980s: overcoming the external debt crisis through "adjustment with growth"

The crisis of the 1980s would displace the developmentalist production of ECLAC to a secondary level, and the main intellectual effort would shift to the historically imposed area of opposition to the adjustment modality required by the creditor banks and IMF. In conditions where growth was impossible, space and interest for long-term discussions were clearly limited. Priority was given to immediate questions relating to debt, adjustment and stabilization.

The IMF and creditors of the debt after the Mexican crisis defended the adjustment with the argument that Latin America would already be overcoming its difficulties and experiencing growth again within a few years. The action of the Executive Secretary Enrique Iglesias during the session of the Commission in Lima in 1984 symbolizes the ECLAC position during that period. Iglesias countered the idea with dark and accurate projections of a "lost decade" for the region -an expression which ECLAC would later use to describe that period.

The text presented at that meeting (ECLAC, 1984) shows how close the ECLAC position was to the cream of the Latin American heterodoxy which was then debating such questions. With regard to the adjustment policies, the text proposed that the recessive adjustment of the balance of payments should be substituted by an expansive adjustment, boosting exports by means of stimulating investment in the sectors of tradable goods. For this solution to be feasible, a debt renegotiation agreement was needed between the debtors and the bankers, a less protectionist attitude on the part of the central countries, and a more flexible and pragmatic use of economic policy instruments.

With regard to stabilization policies, there was an echo of the Brazilian and Argentine authors who were just at that time developing the concept of "inertial inflation" in preparation for anti-inflationary shock policies that were implemented a short time afterwards. It also defended shock treatment in circumstances of very high inflation and low credibility, as such circumstances were unsuited to the application of gradualism, which is the aspiration to have time to make favourable accommodation for agents' expectations.

The emphasis on adjustment would displace the historical perspective to a secondary position in the work of ECLAC in the 1980s, but would not discard it entirely. In 1985, for example, there was an interesting new publication on "styles", which noted the increasing subordination of the productive process to the interests of the financial system (ECLAC, 1985).

As of the mid-1980s, essays also began to appear that heralded the renewal of the ECLAC debate on the long-term growth process, which was to occur in the 1990s. Two texts written by Fernando Fajnzylber were decisive (1983 and 1990). The first included an exhaustive analysis of the Latin American industrialization process, identifying gaps, faults and distortions, and proposed a "new industrialization". The latter was to be based on the concept of efficiency in the sense of the achievement of "growth and creativity", based on the creation of an endogenous nucleus of technical progress. The second formulated the conceptual basis for "changing production patterns with social equity", the key element in the work of ECLAC in the 1990s. It was a comparative study of growth patterns in Latin American

countries in which the author showed that, unlike countries such as Korea and Spain, which managed to grow and redistribute, the Latin American countries were divided into three groups: those that grew rapidly but had concentrated income, those that had a relatively well distributed income but grew at a slow rate, and those that were in the worst of all cases, with concentrated income without growth.

5. 1990s: changing production patterns with social equity

The introduction of the reforms provoked a heated ideological debate that was frequently polarized. The ECLAC of the 1990s managed with great dexterity to take up a position between the two extremes. It did not oppose the tide of reforms, but based its judgement on the criterion of the existence of a "reformist strategy" which could maximize the benefits and minimize shortcomings in the medium and long term.

The ECLAC "neoliberalism" returned to the agenda of development analysis and policies, adapting it to the new times of opening and globalization. There was considered to have been excessive complacency in many countries with regard to inflation, and that the new times required alterations in the form of State intervention in the economy, in an attempt to enhance its efficiency. The 1990s were times of "compromise" between recognizing the need to expand market functions and defending the practice of more selective government intervention. The "compromise" meant that policy analysis and proposals were oriented to the subjects given priority by ECLAC, that is, technical progress and income distribution, opening the dialogue to the right and the left of the international theoretical and ideological spectrum.

The 1990s began with the announcement by ECLAC of the proposal for changing production patterns with social equity (ECLAC, 1990), whose main author was Fernando Fajnzylber. Gert Rosenthal, Executive Secretary between 1988 and 1997, endorsed and supported the proposal of Fajnzylber that ECLAC should take a position on the reforms process -as everything seemed to indicate that it would spread throughout the region. It offered a message for a new form of State action, unlike what had prevailed in the past, but it was nonetheless unable to have a significant influence on the destiny of the countries.

The inaugural document of the period placed the ECLAC strategy within the bid for an "authentic" enhanced international competitiveness, based on the deliberate and systematic incorporation of technical progress into the productive process. The systemic nature of competitiveness was emphasized, as it covered a whole network of connections between productive agents and the physical and educational infrastructure. There was emphasis on the training of human resources and active technological policies as a decisive formula for productive transformation in the long term. Industry remained the hub of productive transformation, but its links with primary and service activity were also given attention. The importance of providing a healthy macroeconomic environment was thus emphasized, and there was the proposal to modify the style of State intervention, without necessarily increasing or diminishing the role of the State. A greater opening of the economy, gradual and selective, was also proposed as a way of introducing technical progress and enhancing productivity.

The most difficult analytical aspect of the theory of changing production patterns with social equity were the relationships between growth, employment and equity, a subject that continues to be an ongoing challenge for ECLAC. The most elaborate incursions on the social issue to date are the text of the document presented to the 1992 session (ECLAC, 1992), the "Social Panorama" series, a publication that reviews with empirical richness the

evolution of the problems facing the region, and the document concerned with the "equity gap" (ECLAC, 1997). In the text of the document presented to the 1996 session (ECLAC 1996), there was full recognition of the fact that much higher growth was needed in order to reach the goal of equity with a simultaneous increase of productivity and wages.

There is not sufficient space here to cover all of the documents written on the subject of change with equity. Reference will be made, however, to four topics, in view of their importance for the work of the 1990s. The first was "open regionalism", a topic advanced by Gert Rosenthal. The main document (ECLAC, 1994) emphasized the virtues of a simultaneous trade opening of Latin America to the rest of the world and an intensification of intraregional trade through the current integration schemes.

The second topic was the financial fragility of the region, and was referred to for the first time in the third part of the document presented to the 1994 session (ECLAC, 1995). That text was a significant element of the theoretical work of the 1990s in view of its warning vision of the processes that led to the Mexican crisis of 1994 and the Asian crisis of 1997. The study offers warnings of capital volatility, and refers to the potentially perverse effects of capital inflows that are not followed by a corresponding increase in productive investment and competitiveness for exports. In particular, it warns of the danger of using capital inflows as a price-stabilizing element, as such a practice leads to exchange-rate appreciations that are incompatible with the trade balance performance required for the balance of external accounts in the medium and long term. It also warns of the need to establish prudential bank regulation policies, especially in the stages of financial liberalization.

The third topic was fiscal issues, and particularly relevant was the document presented to the 1998 session, which offered a broad empirical and analytical view of fiscal issues in the region. The principal elements of the "Fiscal Pact" were the consolidation of the fiscal adjustment, an increase in the productivity of public spending, transparency, promotion of equity, and democratic institutions.

The fourth topic was sustainable development. The need to harmonize development and nature was referred to in ECLAC documents throughout the 1990s, since the document submitted to the Regional Conference on Sustainable Development in 1991, in preparation for the 1992 World Summit in Rio de Janeiro. Using the results of the Summit, most of which are contained in Agenda 21, ECLAC extended its studies of sustainable development, analysing in particular the impact of public policies in the countries, changes in international trade negotiations owing to a new vision of the environment on the part of the developed countries and the sources of financing for sustainable development. Those studies were consolidated in the documents prepared for the Earth Summit in Johannesburg in 2002.

6. Recent work

In recent years, since the end of the 1990s, ECLAC has brought into relief the profound asymmetries in the global order, showing the way in which the conditions for integration of Latin America and the Caribbean in this order affect the region negatively in productive and financial terms, and cause a significant degree of macroeconomic instability, a low level of economic growth and very adverse social effects. ECLAC has also extended its warnings and critical views of the potential and effective impacts of the reforms on the region's economies, in accordance with the growing

international recognition of their fragility, and has stated the need to seek a more balanced form of globalization, and to "reform the reforms".

The documents presented to the 2000 and 2002 sessions are complementary in terms of the economic policy agenda in the national, regional and international arenas. They propose the following: correction of international macroeconomic and financial asymmetries (the new international financial architecture), strengthening of institutions (legal systems, regulatory agencies, efficient and solid social pacts, etc.), a broad vision of macroeconomic stability (stability with growth, an anti-cyclical perspective, long-term view, etc.) implementation of productive development strategies (infraestructure, encouragement of productive transformation and diversification of exports, development of national innovation systems, etc.), enhanced social linkages (integrated social policies in the areas of education, employment and social protection), environmental sustainability (positive agenda in relation to the economy-environment, reorientation of specialization patterns, creation of environmental services markets, etc.) and a critical role in the regional arena (open regionalism, defence of the weakest actors, greater sense of ownership of regional institutions, etc.).

Related documents

- ▶ Revista de la CEPAL - Nro. Extraordinario, Evolución de la ideas de la CEPAL, Ricardo Bielschowsky, octubre de 1998
- ▶ Cincuenta años de pensamiento en la CEPAL. Textos seleccionados (Dos Volúmenes), CEPAL/Fondo de Cultura Económica, Santiago de Chile, 1998