

Comments by Alberto Couriel

1. In his analysis, Raúl Prebisch lays great emphasis on the insufficient dynamism of accumulation to absorb, in technical layers of rising productivity, the unemployed population and the manpower in the technical layers at lower levels of productivity.

In view of the complexity of the factors affecting labour supply and demand, the consideration in isolation of the level of accumulation does not appear sufficient to explain the limitations in the absorption of manpower which are highly characteristic of the countries of the region, with the exception of Argentina.

The large numbers of the population employed in backward, low-productivity sectors, particularly in rural areas, together with the high growth rate of the population, clearly indicate where the region's problems lie and show the inadequacy of any analysis based solely on the level of accumulation.

There can be no doubt that a high level of accumulation generating a strong economic growth rate may be considered a necessary condition for tackling employment problems; that it is not a sufficient condition, however, is shown by the experience of recent decades in the region, where the cases of Brazil and Mexico are quite significant.

There are countries in the region with high economic growth rates, and particularly with a high investment coefficient, amounting in some periods to over 25% of the gross domestic product, but which nevertheless were unable to solve their employment problems; this demonstrates the importance of other factors, especially the characteristics of the production structure.

A special example of these problems is to be seen in the recent development of the Panamanian economy. As is well known, Panama is a country with consumption patterns which imitate those of the developed countries, but with very high levels of accumulation, with investment coefficients even exceeding 25% of the product during certain periods.

Given the low level of development of domestic productive forces, such high invest-

ment coefficients were achieved through intensive external financing. However, this high level of accumulation was not enough to solve the employment problem. Between 1960 and 1975 there was a drop in the traditional rural sector's share of total employment, above all because of heavy migration from rural to urban areas, particularly Panama City. This is the result of a number of factors encouraging population loss from rural areas, but especially the attractions of the urban areas. This migratory flow was absorbed into the modern strata of the economy, particularly services and construction. Thus, the percentage of the population employed in the informal urban and traditional strata dropped from 76% in 1960 to 56% in 1975.

It should be stressed here that if the growth rate and style of development prevailing in Panama during the 1960s were to continue, and assuming that the share of the informal urban sector in total employment remained constant, it would take 100 years for the modern sector to absorb the flow of migration and reduce the share of the traditional rural sector to insignificant levels.

This example shows that the growth rate is not alone a sufficient factor to solve employment problems, despite the striking improvements in the recent past.

In other countries, such as Peru, the strong growth process stemming from industrialization in the 1960s made it possible only to maintain the modern sector's low share in total urban employment, in the face of the vigorous migratory flows and consequent decline of the rural traditional sector in total employment.

The purpose of these examples is only to show the inadequacy of an analysis of employment based on the level of accumulation, and not to suggest that the problems raised are not important, particularly when in many countries of the region the conditions of the appropriation and use of the economic surplus have considerably limited accumulation levels, leading to very low investment coefficients which have appreciably hindered the possibil-

ities of manpower absorption at a given level of productivity.

2. One of the central themes of Prebisch's analysis in fact refers to the links between the level of accumulation, the structure of consumption and the possibilities of manpower absorption

It is argued that with the growth of productivity, the surplus appropriated by the capitalists grow more than wages. As for use of these surpluses, a part leaves the country to join the circuit of world accumulation, another part is devoted to the consumption of the capitalists, imitating the consumption patterns of the centres, and it is only the remainder that is allocated to accumulation. Emphasis is laid on the imitative consumption of capitalists which restricts accumulation levels and thus hinders the possibilities of absorbing labour from technical layers of lower productivity into technical layers of higher productivity.

Two important points flow from this outline:

(a) Would employment problems be solved if the capitalists were austere and reduced their consumption? The foregoing analysis, based on the level of accumulation, reveals the inadequate, partial nature of the approach;

(b) The other point is to define the imitative consumption of the capitalists which is considered in some way as conspicuous, luxury or non-essential.

The determination of what non-essential consumption consists in probably stems from a political definition, but basically it depends on the development of the productive forces in the country under consideration and on the size and proportion of the population consuming what we might describe as new goods.

Let us consider two extreme examples of countries in the Latin American region: Argentina and Honduras.

In the first case, where there is a low level of heterogeneity, a small proportion of rural population and limited numbers employed in strata of low productivity, the percentage of the population consuming these new manufactured goods is high. Consequently, they may be considered mass consumer goods, as in the developed countries.

The problem in Argentina, then, is not one of imitative consumption patterns restricting the levels of accumulation, which are already traditionally high.

The case of Honduras, on the other hand, better fits Prebisch's argument. It is a country whose productive forces are little developed, with a high degree of heterogeneity, a high proportion of rural population, and very large numbers employed in the informal urban strata and especially the traditional rural strata; it has a low investment coefficient and a high proportion of surpluses remitted abroad.

In this second case, the definition of essential and non-essential consumer goods will be completely different from that in the Argentinian case, irrespective of the aspirations and expectations of the population as a whole for consuming those goods. In the case of Honduras, a necessary condition for tackling the problems of employment is the raising of the level of accumulation, which signifies altering the present conditions of appropriation and use of the surplus.

To correct the conditions of appropriation, particularly with a view to preventing the surpluses being used outside the domestic economic circuits, and to change the conditions of use of the surplus so that it is not devoted to non-essential consumption, particularly by the population in the top income decile, means deciding on the basket of final goods to be produced and consumed domestically, so as to be able to raise the investment coefficient and thus the rate of capital accumulation.

To define this basket of goods also means orienting the supply of goods, programming from the production sphere upwards, and this also implies banning imports of non-essential consumer goods. Programming the supply of goods is essential in order to ensure the level of accumulation, given the aspirations and expectations of the mass of the population as regards consuming these new goods.

Naturally, in order to achieve the necessary and sufficient conditions for solving employment problems it is necessary to look to the production structure and other factors of labour supply and demand analysed above.

There can be no doubt that, for example, in

the case of Cuba, with changes in the mode of production stemming from the substantive change in the power structure, and given the special circumstances of its international economic relations, the treatment of the problems of employment and the satisfaction of basic needs necessarily took place through changes in the consumption structure in order to raise accumulation levels.

In the case of Mexico, in recent decades, imitative consumption has not held down the high levels of accumulation nor the strong growth rate of the product. Indeed, it should be stressed that the production of these new goods has been a major factor for achieving the high levels of growth recorded in the recent past.

Mexico has drawn up a development plan which emphasizes manufacturing industry and the exploitation of petroleum. Thus, without changing consumption patterns it should be possible to achieve very high growth rates, particularly in petroleum activities and in the secondary and tertiary sectors, achieving high investment coefficients. However, even after 15 years of very strong growth, about 40% of the labour force still remain employed in the informal and traditional urban and rural strata with very low levels of productivity.

Once again it may be seen that considerations concerning the production structure and the other factors of labour supply and demand are relevant to tackling employment problems.

This does not mean neglecting consumption patterns altogether. It may happen that the rapid pace at which new goods are introduced generates processes of resource destruction or leads to competitive investment with net negative effects on manpower absorption. Here again it is a question of programming the production structure and the incorporation of technical progress, especially when a policy aimed at substantially changing consumption patterns is hardly viable, but once more this does not imply that there will necessarily be a major impact on manpower absorption.

3. Dr. Prebisch's articles make significant conceptual contributions to a better interpretation of peripheral capitalism. By way of example, mention may be made of his concern for an analysis of the dominant economic system as a whole; the need for a comprehensive view

covering the economic, political and ideological levels; economic analysis based on the process of capital accumulation, for which the conditions of appropriation and use of the economic surplus are considered vital; the idea that the distribution of income is determined by the characteristics of the balance of power among the various sectors of society; the inflationary process as deriving from the struggle over distribution, and consequently as a problem of power relations.

All these elements, incorporated into the interpretation of the processes underway in the region, have led to significant progress, but without yet attaining a sufficient level of precision and analysis for a full understanding of the phenomena.

This is particularly true of the inadequate analysis of the relationships and determinants between the economic, political and ideological spheres, the inappropriateness of the categories used and the ways of dealing with State action.

The categories of economic power, social power and trade-union power are clearly insufficient for understanding the nature and degree of representativity of the State and the possibilities of relative independence in particular periods. These categories also fail to grasp the essence of income distribution and the basic characteristics of the inflationary process.

In an analysis of power relations, it is essential to start not from distribution but rather from basic economic relations, which are more general. This means analysing the various fractions of the bourgeoisie, their specific interests—economic, political and ideological—and interrelations, links, articulations and alliances. This means differentiating by size of establishment, by origin of property and by branches of economic activity. This would lead to the identification of agricultural, mining, exporting and domestic-market-oriented industrial fractions, as well as commercial intermediaries and financial intermediaries.

Furthermore, it is also important to differentiate among the middle layers, particularly the technobureaucracy within the State apparatus, the urban and rural organized trade-union movement, and finally the various characteristics of the agricultural sector.

If the inflationary process stems from the distributive struggle, this means that basically it is a problem of price structure. The price structure is highly influenced by power relations and by the role played by the State, which to some extent represents or results from that power structure.

The level of abstraction of Prebisch's contributions and the categories he uses blur some distributive conflicts among fractions of the bourgeoisie, as well as specific actions by the middle strata which largely explain inflationary processes in some countries of the region, when the trade-union movement has suffered reverses and real wage levels have dropped considerably.

The action of the State on the price structure is very significant. That is why it is important to analyse the State in order to see what social forces are determining the inflationary process. The State influences the price structure through the use of economic policy instruments, particularly in countries where it is responsible for fixing the exchange rate, a range of prices of goods and services, public service rates, subsidies, wages, the interest rate, tariffs and taxes and direct intervention in marketing processes.

At bottom, the changes in the price structure which lie at the very heart of the inflationary processes are highly affected by the characteristics of power relations, which makes it necessary to include the socio-economic categories suggested above, considered more suitable than those used in Dr. Prebisch's articles.

These categories could also allow a better understanding of the problems of income distribution. It would be possible to see more clearly who benefits from and what sectors are affected by the economic processes of the region.

It is important to highlight the influence of State action on income distribution, which is not sufficiently emphasized in the articles under consideration; and it is also worth stressing the importance of the problems arising from production heterogeneity as a

major factor in the income distribution situation.

The analysis by technical layers, defined by differences in levels of productivity, is extremely thought-provoking and highly fruitful for a better understanding of employment problems, but not for the analysis of the distributive conflict. Economic power cannot be treated as a single whole; the components of the trade-union movement may be located at different technical layers.

Another significant example of this type of analysis is the case of Peru. The components of the economically active population situated in the layers of lower productivity are basically the agricultural smallholders, occasional landless agricultural workers, own-account urban workers, and employees of very small urban establishments in various branches of economic activity; the income they receive is below the essential minimum for satisfying their basic needs, and they comprise 50% of the families of the country. An analysis of their demands and interests brings to light a variety of clear conflicts, particularly between the components of the urban area and those of the rural area; and this hinders the possibilities of alliances and joint action.

Dr. Prebisch's analysis also suggests that there is something mechanistic in the relationship between the economic and political spheres; the loss of the basic principles of democratic liberalism, stemming from the distributive struggle, is an example of this. The above-mentioned socio-economic categories would also be helpful for an understanding of these phenomena.

The analysis of their specific economic, political and ideological interests, the various real conflicts—expressed *inter alia* through the income distribution and inflation—and the possibilities of alliances are fundamental for grasping the possibilities of social change and of changes in the prevailing economic models whereby the system may be reoriented towards development styles which are more egalitarian and are based on the fundamental principles of democratic liberalism.