On the article by Raúl Prebisch
“A critique of peripheral capitalism”¹

Comments by Joseph Hodara*

I

From what standpoint should Dr. Prebisch’s essay on peripheral capitalism be viewed? There would seem to be at least four possibilities.

The first relates to the development and problems of the social sciences in general. In this context, it would be meaningful to ask how far the article represents a convergence of prevailing currents of thought or a turning-point; whether it contains important taxonomical and conceptual contributions; what agenda for socio-economic research it suggests; and whether it sheds light on the formulation and evaluation of policies.

A second angle of approach might be to consider the place of the study in relation to Dr. Prebisch’s personal and institutional career and its repercussions — unquestionably significant — on economic thinking in Latin America. In this case it would seem relevant to investigate whether the “Critique” does or does not constitute a somewhat weary reiteration of what has already been said and done, or whether it in fact involves new motifs corresponding to recent experiences or to barely-glimpsed turns of events in the periphery. An additional question that might be raised is to what extent Dr. Prebisch’s analysis points to a change in the styles of work that have characterized the institution which bears his indelible stamp.

From a third point of view, the essay could be seen as an ideological allegation on the part of an intellectual and of a region genuinely concerned about international inequality and internal disorder. Here the terms of the appraisal would be different; the timeliness, the intended recipients and the structure of the message would constitute its focal points.

Lastly, it would also appear appropriate to envisage Dr. Prebisch’s statement of the case as a mirror of the ambivalences and contradictions in the peripheral situation.

Any one of these types of analysis would reveal significant aspects and components of Dr. Prebisch’s thinking, which, if it is to be properly understood, needs looking at with more than ordinary attention. Progress in such explorations has been timorous; for the purposes of the present comments, emphasis will be placed on the last angle of approach. First, because we consider it relevant here; and secondly, because the author himself, in embarking upon his study, has apparently assumed from the outset the role it implies.

Let us begin by remarking that the ambivalences noted by Dr. Prebisch are

¹CEPAL Review N° 1, first half of 1976.
*Staff member of the Mexico Office of CEPAL.
disparate in character. Some derive from external factors, while others are of local origin; some have plenty of antecedents in development-oriented thinking, whereas of others nothing has yet been said.

We will summarize these ambivalences with the aim of substantiating two critical comments on Dr. Prebisch's essay: one in a minor key, to the effect that the inventory of peripheral contradictions is by no means complete; and the other of major importance, claiming that neither the agents of these contradictions, nor their peculiar relationship, nor the possible dénouement are satisfactorily dealt with, although interesting lines of thought are suggested.

II

The ambivalences in the history of the periphery are indeed overwhelming. Those that Dr. Prebisch points out are the following:

(1) The growth of the periphery has not brought social justice in its wake, as certain economic conceptions and an ingenuous humanism had expected;

(2) Nor has growth involved democratization, thereby belying political forecasts based on the institutional experience of advanced capitalism;

(3) The stimulating role played by the centres in the initial stages of peripheral development contrasts with the functions of constraint which they fulfil today;

(4) The atony of peripheral capitalism differs markedly from the revolutionary and dynamic character displayed by capitalism in the central countries, both in its early phase and in its maturity;

(5) There are ambivalences and loopholes in an external relationship which fluctuates between passive dependence and the emergence of a peripheral cycle;

(6) Contradictory, too, is international co-operation as conceived by the centres, since at times it has a stimulating quality, and at others, in contrast, serves as a means of domination;

(7) At the internal level spring up the ambivalences of the State, which at one and the same time spurs on and clogs the economic and political processes;

(8) From another standpoint, the State supplies an ideology and a body of decisions favourable to capital accumulation, but lends itself to the spurious absorption of skilled manpower;

(9) Over the long term the State aims at the formation of human resources, but over the short term it tends to squander and destroy them;

(10) These last facts constitute variants of a basic discrepancy: the collective rationale intermittently crystallized in the State is in conflict with the individual impulses which unremittingly distort development;

(11) Technical change likewise is a tangled process. From the point of view of trade, it seems slow and inadequate; from that of employment it is much too rapid and all-pervading. Hence the contradictory complaints about the nature and tempo of the inflow of technology;

(12) Nor is the market exempt from ambivalences. Left to the free play of its own forces, it disturbs and distorts resource allocation criteria and the whole warp and woof of the social system. Kept under control, it stifles individual initiative;

(13) The distribution struggle has its right and wrong sides. It is the symptom—and the hope—of genuine desires for equity, but it also precipitates recourse to authoritarian measures;
(14) From another standpoint, this struggle moderates the socially regressive implications of inflation, but it is injurious to the monetary authority which might have been able to arrest the inflationary trend.

These ambiguities reflect the inadequate, equivocal and contradictory development of the periphery, which Dr. Prebisch fits into the framework of a structuralist and political interpretation of Latin American development; and they constitute valuable material for analysis which merits patient research.

III

But these are not all the ambiguities that exist. There are several dissonant notes which the author of the article slides over. Whether for lack of space or in the light of personal or institutional considerations, Dr. Prebisch evades discrepancies as sharp as those he does mention.

(a) Marshall Wolfe points out one of them in his comments: the tension between the values required for a structural change in peripheral conditions and the values prevalent today. It would seem that what is wanting in Latin America is a functional equivalent of that abode in the hard school of the desert which Moses imposed on his people . . . ;

(b) A corollary of this—with its own independent significance, however—is the awkward and ambivalent position of intellectuals in the life of the periphery. In some cases their ideas and their conduct are distressfully penalized, but in others they are flourishing participants in the consumer society, reaping a twofold benefit from the crisis itself and from the studies of it:

(c) As regards the ties with the hegemonic centre, the following discordancy should also be pointed out. The asymmetrical situations which they create and consolidate—with the complicity of local factors—are beyond question; but they also leave margins of comparative latitude which crystallize in a substantial capacity for reflexion and negotiation. And this safety-valve must not be underestimated, in a world with strong 'totalistic' tendencies;

(d) Neither the centre nor the periphery is homogeneous. There are signs of brusque discontinuities within the periphery, although in some contexts it displays unity. In contrast with other ambivalences which affect the national order and relations with the centres, internal heterogeneity may have a regrettable effect upon the linkage between peripheral countries;

(e) And one inconsistency of capital importance can no longer be concealed. The economic logic predominant in the periphery, and reflected in parts of the article, bears a marked keynesian flavour. The aggregates of the analysis—employment, income, product, technical change—and the economic arguments distinctive of Latin American thinking revolve, sometimes inadvertently, in that orbit. But the political logic inspiring peripheral thought usually contains echoes of marxism, since it involves international and local projections of a circumstantial analysis based on the struggle of interests and classes. And for the moment, unfortunately, the time for a synthesis of schools of thought or lines of reasoning has not yet come; what exists is a juxtaposition which may perhaps open up a channel for a confluence of categories and approaches.

IV

Apart from these ambiguities—omitted from Dr. Prebisch's essay—, emphasis
should be placed on the analytical flaws. And we would say at once that neither the agents of the contradictions, nor their interconnexions, nor the dénouement are satisfactorily brought into focus.

The essay deals with elements which determine the physiognomy of the periphery: power relations, insufficient capital accumulation, external dependence, the contradictory nature of technical change. But it does not identify the agents. If, for example, power is of decisive importance, why are no definite questions posed on the genesis, nature and conduct of the peripheral State? How does this latter—and alongside it, the market, technology and the influence irradiated by the industrial centres—resolve problems of legitimacy and functionality? For whom, why and from what point of view are these components acceptable or anathema? Which are the groups that really take part in the distribution struggle? And how do they affect that monetary authority which Dr. Prebisch recalls with nostalgia? Why is the actual so far from the ideal allocation of resources? What is the nature of the channels through which the hegemonic centre provides stimulus and exerts domination, and what is the underlying logic?

The author hardly touches upon these questions.

Furthermore, the relationship between the agents is not closely scanned. The essay seems to suggest a political theory of the Latin American situation. The causal model would appear to be based on the patterns of distribution of power and a pervasive politization of the peripheral economic system. But this line of reasoning is not kept up to the end; the text also indicates that insufficient capital accumulation is the key to peripheral backwardness, and that imitative dependence has its roots in the inequalities of trade.

The argument thus becomes less forceful. For if the analysis had followed the politization of the peripheral situation right through to its final implications, provocative questions would have arisen. For example, in what sense is peripheral development capitalist? If it lacks the dynamism and the potential for change that typify the capitalism of the centres, is not the epithet a gratuitous attribution or a taxonomical slip? Or again, the affiliation and the label, strictly speaking, are meaningful, but only in so far as the periphery is considered not merely as part of the capitalist system but in a geopolitical matrix of control and domination. In this case, the analysis should not merely rely on the economic instrumental; it should also invoke classic concepts (such as 'spheres of influence') and others not yet current (such as the long-term calculations of industrial societies perturbed by a closed and insurgent international system) which derive from the political analysis.

These ramifications have not been traced with precision owing to a methodological syncretism which is of value in syntheses or in diplomacy, but is unsatisfactory as regards the opening-up of new avenues for research.

Lastly, the essay evades the questions relating to the dénouement. Might this peripheral development process—promising and inhibitive at once—lead to a greater although self-complaisant vulnerability? To a struggle as heroic as vain? To a hermetic isolation of the periphery from the contradictory impulses of the centres? If the article had explored this ground it would have discovered a vital fact: that analyses of peripheral development—in view of the
frustrated experiments and the difficulties of establishing an international order—should culminate in a theory of violence.

V

A sentence in the Talmud lays it down that no man is called upon to finish his work; it is never-ending. Yet considering the record and the stature of the essayist, we may still look forward to seeing the queries and topics that are bypassed in the article tackled before long.

Comments by Eugenio Kossarev*

The “Critique of peripheral capitalism” published by Dr. Raúl Prebisch constitutes a new and important contribution to the development of the thinking which, since the end of the 1940s, has played a vital role in Latin America’s advance towards its economic development and independence within the framework of a market economy. Without analysing the progress made by the Latin American countries in this respect—which is a different topic altogether—stress should be laid on the originality and interest of this study, part of which appears convincing and acceptable while another part invites controversy.

The “Critique of peripheral capitalism” represents an important step forward in the evolution of the ‘peripheral economy’ theory and raises the level of analysis of the development of Latin America by virtue of the new socio-economic approaches adopted. The peripheral economy theory afforded the bases for the preparation by CEPAL, and by many noted Latin American economists, of the Latin American development model known as the ‘CEPAL doctrine’; the new theoretical contribution by Dr. Prebisch opens up fresh possibilities for its further elaboration.

This hardly seems the place to discuss whether or not the title of the doctrine accurately describes it. In my view the one usually applied to it does not, because the term ‘CEPAL doctrine’ fails to reflect its theoretical groundwork. The peripheral economy theory and the development model constructed on that basis are, by their content, different categories which can stand apart. While the former explains the origins and premises of the Latin American situation and suggests ideas for changing it, the latter is presented as a combination of objectives, means, mechanisms and driving forces for introducing the changes in accordance with those theoretical ideas. Accordingly, it would be more correct to talk about the ‘CEPAL-Prebisch doctrine’, for if the model does not exist without the theory, the theory without the model would have been in the nature of a mere abstraction.

Another reason for the need to give an exact title to the Latin American

*Staff member of the International Trade and Development Division of CEPAL, and formerly Deputy Director of the Latin American Institute of the Academy of Sciences of the USSR.
development doctrine which has been proposed and is being worked out by CEPAL is that there are innumerable doctrines which, because they are called 'developmentalist', may be confused with CEPAL's, while having little in common with it. They can often be seen to analyze and criticize the CEPAL doctrine without taking into consideration the main positions and ideas of the peripheral economy theory, a tendency which in practice leads to interpretation of the CEPAL doctrine in many different ways and to the loss or substantial alteration of its content and origin. It is common knowledge that numerous doctrines exist which are termed 'developmentalist' but which bear no relation to that of CEPAL.

Furthermore, such a plethora of interpretations of the doctrine of Latin American development, only superficially linked with the CEPAL doctrine, hampers thorough, critical and constructive analysis not only of this latter but also of the peripheral economy theory. Obviously, all interpretations have a right to exist, but it would seem more useful, both from the theoretical and from the practical point of view, to analyze them separately instead of labeling any and every 'developmentalist model' as 'CEPAL doctrine'. To use the term 'CEPAL-Prebisch doctrine' in these pages, however, would precipitate a discussion that would hinder comment on Dr. Prebisch's new theoretical approach.

The peripheral economy theory explained that the market-economy countries are divided into two main groups, i.e., the 'centres' and the 'periphery'; that national resources and incentives must serve as the essential basis for the peripheral countries' development; that existing conditions in international economic relations are not consonant with the development requirements of the peripheral countries and should be improved; that radical changes in the socio-economic structure are necessary in the Latin American countries; and that such changes can be made on the basis of private ownership of the means of production under the guidance of the State. That at least was the image of this theory formed outside the continent.

In it, however, recognition of the mode of production, i.e., the socio-economic basis of the peripheral economy, was absent. It accepted the form of ownership as a given premise, and took no account of the mode of production. It lacked the elements that predetermine the correlation and function of the productive forces, that establish what opens up the prospects for their development or fixes its limits, and what may act as a source of internal contradictions during the reproduction process. It laid strong emphasis on the role of private enterprises, and also on that of planning and of State participation or intervention in economic affairs. All this gave impetus to the creation of the institutional machinery and promoted the measures designed to translate development theory into terms of practical results. At the same time, the range of varying interpretations of the socio-economic basis of the peripheral economy multiplied the interpretations of the theory itself. In a sense, the failure to recognize the mode of production could be explained by the argument that the theory was still being worked out by the United Nations, but such an explanation strengthened neither the theory nor the doctrine.

The introduction of the 'Peripheral capitalism' concept in the scientific analysis of the development problems of most of the Latin American countries
signifies acceptance of the socio-economic and political basis of the mode of production prevailing in many of the countries of the region. The problems of peripheral capitalism set forth in the article bring into focus not only the questions it raises with regard to stimulating the development of the continent, but also the difficulties and barriers in the way, as well as possible solutions. 'Peripheral capitalism', as a theory, is closely bound up with the peripheral economy theory, and simultaneously underscores the main characteristic of this type of capitalism: namely, that it is extrinsic to many processes which take place in the developed market-economy countries. The very term 'peripheral' indicates once again that Latin America's position in the international division of labour is still marginal, that the region occupies a specific place in the system of international economic relations, and that its development is still primarily predetermined by external forces and conditions.

In the world of today there are two socio-economic and political systems, the socialist and the capitalist, each with its own distinctive criteria and characteristics; and alongside these, the broad group of so-called developing countries which by reason of their development characteristics and idiosyncrasies make up the group of countries in transition which are seeking their way. Sometimes they radically alter the particular pattern of development they choose. Accordingly, the new name of peripheral capitalism for the peripheral economy more completely and exactly reflects the basis and the peculiar features of the situation and development of many Latin American countries. At this point it should be emphasized that, as was the case twenty-five years ago or more and still is today, the peripheral economy theory and the new 'peripheral capitalism' formula are not pertinent only to Latin America; they belong to the Third World. Although theories abound and their reconciliation is occurring very slowly or is only in the embryo stage, the theory of the peripheral economy, and now that of peripheral capitalism, appear more logical, more convincing, more soundly reasoned and of more practical significance for the developing countries which still remain in the market-economy area. The peripheral capitalism theory, on account of its content—in particular the mode of production—brings out other aspects of these countries' struggle for economic development and for independence in their international economic relations. The foregoing remarks, however, are by no means intended to suggest that the theory is devoid of weaknesses or contradictions.

The structure of the study under consideration is clear and attractive. Neither the titles of its chapters or sub-sections nor its conclusions and arguments can leave us cold. It underlines, in a strictly concise summary, the typical features of peripheral capitalism; reference to some of them therefore seems required.

Dr. Prebisch begins his article by recognizing the disappointment of expectations with regard to income redistribution and the consolidation of the democratization process. Many Third World countries used to—and indeed still do—entertain high hopes that the incorporation of new technology, the introduction of modern techniques from the centres, would be one of the most effective ways of benefiting all the social strata, particularly the broad masses of the population; and this in turn would help to consolidate the process of de-
mocratization. The substantial change introduced in the productive forces by the incorporation of new technology is obviously significant. Yet analysing the expectations aroused, Dr. Prebisch rightly says at the very beginning of his article that “the facts forbid us to go on fostering such illusions” (p. 9). This conclusion is of great importance, since hopes are still being pinned to the achievement of changes and development basically through the transfer of technology from the centres to the peripheral countries. There are obviously many socio-economic development problems which cannot be resolved through such transfers, but must be dealt with by other means.

Another of the main conclusions the author reaches is that behind the relations between the 'centres' and the 'periphery', the power of the centres is still as dominant as ever, and that the contradictions between centres and periphery persist in full force. One of these contradictions is that the hegemony of the centres limits the freedom of decision-making of the peripheral countries (p. 11); in other words their hands are tied in the most important respect, i.e., the formulation and implementation of internal and external economic policy.

Furthermore, Dr. Prebisch’s contention that in the development of countries where peripheral capitalism prevails “the employment of labour... must increase faster than productivity” (p. 13) is a new departure in economics. This problem confronts alike the developing countries that remain within the market-economy system, and those that are pursuing other paths in the arena of economic, social and political development.

Dr. Prebisch also points out, inter alia, that “this excess demand allows the primary appropriation of the fruits of increased productivity by the owners of the means of production” (p. 13). In addition, he refers to the exacerbation of the distribution struggle; the necessity of the market as an economic mechanism and its powerlessness to resolve income redistribution problems; the economic incapacity of peripheral capitalism, or, in the author’s own words, “the insufficient dynamism of the economy” for rationally assimilating technical progress, raising productivity and ensuring an improvement in income distribution as well as capital accumulation at a normal rate and along such lines that investment will not cause a decline in the absorption of labour; the contradictions in manpower training which are characteristic of the insufficient dynamism of the economy; the bases and special features of the free play of economic forces, and of the redistribution struggle, together with the inadequacy of the market regulating mechanism; the basic trends and characteristics of the present-day development of centre-periphery relations.

In considering all these facets, peripheral capitalism is being analysed from different points of view, and its content reveals the wide variety of driving forces which set it going as a system, as well as its inherent contradictions. Obviously, the range of approaches would have to be broadened for the purpose of studying the content of that process and analysing it in each of the areas mentioned. But two vitally important aspects of peripheral capitalism which are examined in the study merit the closest attention.

Chapter III, entitled “Primary appropriation of the fruits of technical progress”, is of outstanding significance; in it the fundamental topic of the socio-economic basis of technical progress is
tackled, and the essential characteristics of peripheral capitalism are thus brought to light. This enhances the importance of chapter III (together with chapter V) as the backbone of the development of the peripheral economy theory, thanks to the introduction of the concept of 'mode of production' in the analysis, albeit the actual term is not used. The analysis of the mechanism for tapping the final product, or more precisely, for the appropriation of the fruits of technical progress, centres on the process of formation and appropriation of the 'surplus'. The content of this chapter is much more profound and far-reaching than its title suggests, since it analyses peripheral capitalism, or —no less important— describes one of its basic manifestations, i.e. imitative capitalism.

The terminology used in this chapter necessitates the definition of certain concepts. There are grounds for asserting that 'tapping' is synonymous with 'appropriation'; that 'surplus', as follows from the analysis, corresponds to 'surplus value'; that 'contraction' is equivalent to 'crisis of overproduction'. Among these terms, 'surplus' calls for some explanation, since it seems a debatable expression as it emerges from the context of the article and from its title.

The text reads as follows: “The surplus comprises the profits of enterprises, the interest paid on capital, and amortization of fixed capital” (p. 37). Some lines higher up it is stated that in the production process the “entrepreneurs pay the income of the... labour force” (p. 36). Altogether, the 'surplus' formula is clear in that it reflects the cost of production and the total value received by the enterprise; according to the article, it represents the value transferred from the installed means of production to the final product. It also shows what the enterprise pays to the banks for credits and the interest lost owing to the gap between the time when its production outlays are effected and the date on which it receives the profit from the final product. The author rightly notes that these outlays vary during the production process in accordance with market changes and inflation.

The 'surplus' formula, however, lacks specificity in respect of an important component, the one that generates the means of meeting the aforesaid outlays (raw materials, the part of the value of the production goods that is transferred to the value of the final product, payment for short-term operational credit, etc.). It lacks specificity in respect of the labour factor, whose cost is included in the cost of production as just another item of current expenditure. But the formula obscures the fact that part of the value created is received by the labour force and the rest, which the labour force also creates, never reaches it. The value of labour and the value created by it are always different, except in the natural economy. The 'surplus' formula is correct in the sense that it includes the production costs which can be measured in monetary terms; these costs are visible and necessary for the calculations pertaining to the process of producing and marketing the final product. It is incomplete, however, if account is taken of the difference referred to above, i.e., the social character of work and the manner of distribution of its results. The 'surplus' concept does not make this difference clear; and in the event of an attempt to extend the analysis of the production process, it would be more likely to hamper the undertaking.

In the article we are analysing, stress is laid on the dynamic nature of the
surplus during its formation; but some attention must also be devoted to the other side of the dynamism of the surplus, to make use of this term for the moment as signifying the motive force and principal incentive of the production process. Alongside these conclusions, however, the question arose as to whether the 'surplus' reflects the connexion between production goods and the 'labour power of the worker' (in the sense of the saleable good represented by the capacity to work), as well as—what matters most and is least visible in this formula—the problem of the relations between the owners of the one and of the other, and how they are interlinked in the production process. For the purposes of analysing the peripheral economy, peripheral capitalism or an economy based on any other mode of production, the study seems to need extending to cover production relations as well.

These aspects of the 'surplus' concept which emerge from its analysis in the light of the main problem—'the crisis of peripheral capitalism'—lead on to another concept, that of 'surplus value', which, in my view, reveals the economic and social roots of the creation and reproduction processes. The 'surplus' originates, as is normally affirmed, from trade in goods, investment, current expenditure and marketing of the final product. But the social content of one of the components of the production process—the 'labour power of the worker'—and the special nature of its participation in the creation of the final product tend to be overlooked. Whether the concept used is the 'surplus' or the 'surplus value', the basic question in both cases arises: how is it created and in the interests of which social strata, and by whom and how is it appropriated?

The article provides a clear answer: it is appropriated by the owners of the means of production (p. 37). This answer is the true one, but it is not deduced from the 'surplus' formula; only the 'surplus value' concept leads to this basic conclusion.

Other important features of peripheral capitalism are also considered in chapter III, of which the structure and actual content demonstrate with emphatic precision the cyclical character of development, which is typical of the capitalism of the centres and the periphery alike. According to a statement on p. 41, "the cycle is the growth pattern of the capitalist economy"; and it follows from the text that the cycle, beginning with investment in means of production and expenditure on labour, passes through a phase of ill-balanced development and monetary expansion, inflation, and inability to absorb and accumulate the 'surplus' and channel it into the expansion of production and consumption, until an 'economic contraction' ensues (p. 40), or, in other words, a crisis of overproduction.

The exposition and brief analysis of these problems, within the limited space of the article, focuses on the conclusion that the peripheral cycle was set going by the cycle in the centres (p. 41), or, in other words, it was subordinated to this latter cyclical movement. Here we have yet another indication of the subjection of the peripheral economy to outward-directed development, and this is the crux of the matter, since the cycle constitutes one of the reflections of the basis of the market economy and the nature of its operation. If the analysis of peripheral capitalism and its origins, peculiar features and cycles is pursued, it seems appropriate and necessary to compare the progress achieved through
inward-directed development with what has been inherited from outward-directed development, and with the outward-directed elements that still subsist in the economy of the peripheral countries. This is what I deem to be of most living interest in the analysis of the peripheral capitalism of today.

Chapter V is of great importance for the study of the crisis of peripheral capitalism. Two other aspects of cyclical development are mentioned in it, one of which is typical of capitalist development in general and the other of peripheral capitalism. On page 58 it is stated that "the cycle is the natural form of capitalist development", and that the waves of prosperity flowing from the centres, which stimulate the development of the periphery, are followed by the ebb that does more serious and penetrating harm to the periphery than to the centres. Not only are these effects more damaging but they are inherent in peripheral capitalism.

The key features of peripheral capitalism are typical of pre-monopoly capitalism and at the same time reveal one of the most important characteristics of peripheral capitalism as compared with capitalism in the centres: the backwardness of its institutional links and economic mechanisms. Here, however, it seems relevant to point out that some aspects of peripheral capitalism are not discussed in the article, and I should therefore like to mention them and to suggest that they be included in the analysis. They are:

- The low level of institutionalization in the organization of production in the peripheral countries;
- The leading role played by money and prices as regulators of growth, and the habit of underestimating (in practice, not in scientific studies or government plans and laws) other regulators of which capitalism in the centres actively avails itself (the tax régime and other incentives, planning, direct State intervention and participation in production, scientific and technological progress, export promotion, etc.);
- Overestimation of the free play of economic forces and underestimation of control and management of the market mechanism;
- The means of preventing total subordination of the development cycle of the periphery to the cycle in the centres;
- The inability of peripheral capitalism to reach provisional compromises— as State/monopoly capitalism has sometimes been able to do— and the limits of the effect of such compromises in the conditions proper to peripheral capitalism;
- The mentality of the entrepreneur in peripheral-capitalism countries and the part he plays in their development;
- The economic and social problems of peripheral capitalism from the standpoint of the democratic forces of the countries concerned (the term 'democratic' is used here in a broad sense, according to the countries' social structure).

It was true to say that "the peripheral cycle is virtually unexplored" (p. 41), but we should add that it still remains so, since nothing has been done to explore the cycle within the framework of which peripheral capitalism operates. The special nature and basic characteristics of this mode of production at the periphery have yet to be sufficiently studied.

In addition to the aspects and problems of peripheral capitalism already
mentioned, others remain to be explored.

The new term suggested in the article, "imitative capitalism", is unknown, although it expresses in a word the essence of the type of capitalism existing in some of the developing countries. If such capitalism is imitative, what does it imitate? The economic structure and the forms and level of development of the productive forces? The organization of the production process at the national and enterprise levels? The institutional structure of State/monopoly capitalism, its methods of intervention in the economy and its particular way of resolving social problems? Methods and measures for resolving the problems connected with the development and operation of the State-monopolies-science triangle? Relations within the classic triangle of bourgeois democracy — State-entrepreneurs-workers — or, as would seem more accurate, the interplay of power relations in this triangle? Or perhaps consumption?

Since the end of the 1960s peripheral capitalism has been studied in the socialist countries, particularly active interest being shown by the Soviet Union, the German Democratic Republic, Hungary, Poland and Czechoslovakia. Although they do not use the term 'peripheral capitalism', they are studying its emergence, special features and limitations; controversies are waged and publications are issued.

In contrast, peripheral and/or imitative capitalism has been very little explored in Latin America itself, notwithstanding that the approaches to such a study exist and are sufficiently well known. Among them is an alternative which was put forward many years ago, and is indeed the basic option: development in which direction (and we would add: for whom?) , outwards or inwards? From this angle the study of peripheral capitalism can be intensified and carried out in greater depth.

In developing countries inward-directed development under conditions of peripheral capitalism is capable of leading to positive results.

Inward-directed development, while avoiding self-sufficiency and seeking primarily to evolve a diversified structure and a more independent economy, allows a country to formulate external and internal economic policy goals and measures that are genuinely its own, in keeping with the national interest and conducive to the improvement of its position in the play of international economic relations. This last result is one of the really important advances which a country belonging to the area of peripheral capitalism can achieve, within certain limits, through an inward-directed development policy. The implementation of such a policy will certainly permit a developing country to improve its position vis-à-vis the centres and in the international division of labour in the capitalist world, and will enable it to take advantage of the reserves that capitalism still possesses in the developing countries. All this by no means implies that peripheral capitalism does not reproduce the contradictions inherent in its mode of production, or that no permanent internal factors exist to curb the implementation of such an economic policy, since side by side with the potential and reserves available for economic development there are the barriers that obstruct social and political development. Peripheral capitalism has its limits as regards resolving the economic and, in particular, the social and political problems of the societies concerned.
These queries, and the aforesaid peculiarities and characteristics of peripheral capitalism, do not mean that this version of capitalism, or the State/monopoly type, can solve the problems with which the countries forming the system are faced; but in any case the possible paths and solutions open to peripheral capitalism should be explored.

Chapter V deals with what is the hardest and most important problem, for it constitutes one of the key issues in peripheral capitalism: democratization of the operation of its economy. Although the chapter starts with a reservation regarding the limits set to the analysis, both its specific content and the rest of the article warrant only one interpretation: in whose interests does this economy operate, in the interests of what forces—internal or external—does peripheral capitalism develop? The statements made in Chapter V invite both agreement and reinterpretation and discussion, since they bring to light the social mechanisms of the operation of peripheral capitalism, and this is the other important contribution made to the development of the peripheral economy theory.

The whole group of problems involved in the democratization of the operation of the economy is considered in the context of the interplay of power relations, and consequently the success of the democratization process is completely subordinated to the free play of the forces of a backward and non-directed economy. Spontaneous, fortuitous factors can therefore support it, hinder it, or bring it to a crisis.

From a different angle, this view of democratization sees it as the incorporation of new social groups or strata in active and increasing production for the market, whereby the distribution of the national income can be more extensively democratized. The incorporation of new strata in this process gives rise to new social problems in peripheral capitalism.

All these questions derive from the assumptions and positions adopted in this chapter, which starts with a proposition concerning interdependence between democratization and development—a matter of basic importance. The self-imposed limitation of the analysis, however, does not preclude the appearance of problems in this area. At all events, one of the characteristics of outward-directed development is well formulated: the “predominant political power was that of the members of the upper income strata, whose links with foreign capital were very strong”, and “most of the population remained submerged in a layer of pre-capitalist technology” (p. 53); while at the same time it is pointed out that industrialization incorporates new strata which benefit by it. From this process stem the negative consequences considered in the chapter.

The spurious absorption of the labour force makes its appearance primarily in government activities. It is necessary in order to achieve income redistribution under the conditions prevailing in this mode of production but at the same time it slows down the rate of capital accumulation. The problem arises here from its ambivalent character.

The growth of the ‘political and organizational power of the labour force’ improves the distribution of income and of the fruits of technological penetration up to a certain point; but the time soon comes when this same power, invoking ‘economism’, begins to act as a curb on accumulation and the growth of productivity and alters the distribution among the strata, not always in the fairest possible way. This is one of the interpre-
tations relating to the incompatibility between the exaltation of the consumer society and democratic development. For our part we would add that the consumerism of society reinforces economism in some strata, or, more precisely, among some leaders in these strata.

Representative democracy cannot arrest this trend; on the contrary, manoeuvring within its classic triangle, it strengthens economism, which inevitably sets up a barrier on the road to development.

It is perfectly true that the economy of peripheral capitalism lacks an automatic regulating mechanism. If, however, we follow the line of analysis pursued in the article under review, in accordance with Dr. Prebisch's ideas it would seem possible to create a mechanism of this kind that would be fairly well-balanced internally. Without at present discussing this possibility, or the limits to the operation of such a mechanism, and without cherishing illusions as to its effectiveness in all areas of development—particularly in the spheres affecting wage-earners—the following question may usefully be posed: What possibilities and means are there of utilizing it for the good of the most deprived strata during the arduous process of democratizing the running of the economy? I think it is necessary to study this aspect also of the problem relating to “Democratization of the running of the economy under peripheral capitalism”: to study in depth not only the design and construction of such a mechanism, and the requisite conditions for its application, but also its organic limits.

In this same chapter consideration is given to democratization through the incorporation of new strata in the production process and in distribution; but why confine it to these two areas alone? I believe that democratization must begin in economic and social development, in its planning and management. Democratization in distribution is a secondary or derived result; democratization of the use of the final product (in the sense of the production process of the whole society) should be anticipated and ensured by means of planning, through the application of the tax system, public investment, orientation of private investment, and other mechanisms and instruments. The market, with its law of value, its monetary-mercantile relations, its vast apparatus of incentives and prices, must be an object of democratization.

Chapter V deals with new factors that stimulate the democratization process. I feel that here the role of the whole broad range of the lower and middle strata is underestimated, notwithstanding their need of development theory, doctrine and programmes.

The entire analysis in this chapter is based on two particular premises which weaken it. In the first place, democratization is viewed in the context of outward-directed development conditions, and it is not noted that in well-planned inward-directed development with its ‘implementation’ assured, many of the problems referred to would not have arisen; for as reviewed here they are problems typical of peripheral capitalism when development is outward-directed. Secondly, peripheral capitalism is discussed without reference to the influence of State/monopoly capitalism. The latter has its ways of manoeuvring in the social area and its repercussions penetrate the peripheral-capitalism countries.

The article says that “peripheral capitalism is more inclined to sacrifice democratization in one way or another for the sake of defending and promoting the consumer society” (p. 59). Exalta-
tion of the consumer society, imitation of the centres, must logically culminate in new forms of subjection of the peripher­ery to the centres. Hence it is essential to analyse what development theories and models could counteract this trend. The whole article leads up to this statement of the case, in which the problems of peripheral capitalism are synthesized.

The socialist countries are devoting more and more attention to the development and the problems of what are called the Third World countries; and in this connexion a number of national and international conferences have been held. Professor S.I. Titulpanov has proposed a new approach to the study of these countries. In his view, they occupy a specific place in the system of world economic and political relations: their distinctive mark is the level of economic development and the special features of the reproduction process; their socio-economic structure has peculiar characteristics of its own; and the time has come for political economy as a science to be divided into three parts, one concerned with socialism, another with contemporary capitalism, and a third with the developing countries (see S.I. Titulpanov, Essays on political economy. The developing countries, Moscow, 1969, Russian text, pp. 7-18).

The present-day development of the Third World countries is highly complicated. Some have already set out on the road to socialism and have started to create a new mode of production; others are looking in the direction of socialism and are beginning to take the first steps towards progressive and radical changes in their economy, social life, etc.; while the countries in the third group are so far continuing their development on the basis of the capitalist mode of production. In the countries in question the socio-economic structure, the 'non-peaceful' co-existence of different modes of production, the particular features of the process of formation of the social strata and of political and economic power offer no guarantee of the stability of development along these paths. Since they tend to change their socio-economic and political orientation in the course of very short periods, scientists in the socialist world have aptly termed them transition-type countries.

Scientists in socialist countries also underline the fact that the developing countries still have reserves available for the development of capitalism and that bourgeois reformism has not yet been routed. A group of Soviet scientists, headed by the late V. L. Tiagunenko (a corresponding member of the Academy of Sciences of the USSR), prepared a study of fundamental importance, entitled Developing countries: regularities [or: conformity with objective laws. E.K.], trends, prospects (Moscow, 1974, in Russian). This study opens up new avenues for research on developing countries.

Some scientists have devoted their attention to the idiosyncrasies of nationalism in developing countries. This many-sided phenomenon has certain positive features which can be turned to account in tackling development problems; although obviously it also has some that are negative, and can be utilized against the interests of the masses. Other groups are also carrying out studies on various areas of the developing countries' present-day evolution; one of the most recent, which is still in its initial stages, is on the management of the economy in these countries.

Specialists on Latin America in the socialist countries have put forward new ideas for the study of the region; since
the subject is a wide one, we shall touch upon only three of them here. The first is that in Latin America capitalism has reached a medium level of dependent development. The second, that reserves for this type of capitalism are not yet exhausted in the region. The third, that radical changes in the Latin American countries can be effected in different ways and take different forms.

To sum up, it should be noted that semi-developed dependent capitalism—which predominates in some of the developing countries and in Latin America—is passing through a specific crisis of its own, and at the same time is within the sphere of action of the general crisis of capitalism as a socio-economic and political system. Its own crisis is closer, which is the reason why solutions for its problems are being sought. In this respect the analysis of the peripheral capitalism crisis is very important.

Obviously, as a researcher, I am convinced that neither State/monopoly capitalism nor peripheral capitalism can solve the economic, social and political problems of these societies in democratic fashion, for the benefit of the masses. But this belief should not lead one to hold aloof from discussion and take no part in the analysis of capitalism in all its diverse forms. The analysis of Latin American development should include, inter alia, study of the following questions: What chances has peripheral capitalism of riding out its own crisis? What would help the Latin American countries to move towards economic independence, and place them in a more favourable position vis-à-vis the countries with State/monopoly capitalism? Or on what premises should the future of the Latin American countries be built up, and what economic mechanisms and institutions could be useful to them in that future?

The theoretical analysis of peripheral capitalism is basically the scientific explanation of the process that is going on in the Latin American countries; in addition, they still need to work out their own development model, comprising the objectives, mechanisms and instruments within their reach and the motive forces of society, those that when the model is projected bring its mechanisms and instruments into operation. The need for such a model is becoming more urgent. Many years ago, on the basis of the peripheral economy theory, CEPAL prepared a development doctrine or model which, in spite of its limitations, is decidedly dynamic and, more important still, offers a system of ends, means, mechanisms and motive forces. In its formulation as a system that associates as links in a model both the ends pursued and the motive forces that must bring into operation the means and mechanisms to attain them, the greatest strength of the CEPAL doctrine lies.

The doctrine centres on the problems of developing the productive forces and on international, regional and subregional economic relations; questions relating to the institutions and mechanisms for managing the economy and for development financing, together with social problems, play a complementary role.

At the present time this doctrine, as a scientific phenomenon of practical significance, is confronted with a number of problems which ought to be studied. Some have arisen in the course of the practical implementation of the doctrine, and it is useful to note which of them are still under discussion. In our view, these scientific and practical prob-
Comments by Octavio Rodríguez*

Introduction

1. Careful study of the article by Raúl Prebisch shows that it represents an endeavour to synthesize the basic ideas worked out by CEPAL in the early 1950s, together with others which subsequently germinated within CEPAL and outside it, on such topics as dependency, marginality, income concentration, patterns of consumption, the role of internal social groups, etc. Its primary objective is also clear: to achieve a global and integrated interpretation of the backward countries' development process, i.e., an interpretation covering not only the economic phenomena and the changes in the structure of production peculiar to this process, but also the socio-political phenomena and the changes in the social and power structures which accompany and are inherent in it.

2. The ideas that had their origin in CEPAL were formulated gradually in the course of time, taking shape in various contributions in the field of economic theory and policy. Essentially, the orderly articulation of the comprehensive and complex reasoning embodied in the theoretical propositions pivots upon the analysis of three trends held to be characteristic of the long-term economic evolution of the periphery during the phase of import-substituting industrial-

*Consultant, Economic Development Division, CEPAL.
ization: namely, the deterioration of the terms of trade (which in its turn relates the differences in average labour productivity between periphery and centre with the disparities in average real income), external disequilibrium and structural unemployment.¹

The factors that help to account for the first of these trends include the disparity of the income-elasticities of demand for the exports and for the imports of the periphery, the disparity in respect of technological density between the several sectors composing this type of economy and between them and the corresponding sectors in the central economies, and the superabundance of labour. The second trend is also explained in relation to the disparity of elasticities, inasmuch as this is reflected in slow growth of the primary exports of the periphery and a rapid increase in demand for imports necessarily stemming from the installation and development of an industrial sector on the basis of primary-exporter specialization conditions. Lastly, the unemployment trend is imputed to such factors as the type of technology that has to be adopted, the slow pace of capital accumulation, the enormous growth of the labour force, and the displacement of manpower from technologically backward sectors whose relative productivity is very low.

¹It should be emphasized that while these three trends are, as stated in the text, the pivot of the reasoning contained in the various CEPAL contributions to economic theory, they must be distinguished from the contributions themselves, each of which uses different instruments of analysis, interconnected in complex fashion. The theoretical contributions which may be deemed of basic importance comprise the whole body of original ideas, or the conception of the centre-periphery system; the theory of the deterioration of the terms of trade (compounded, strictly speaking, of three analytically distinct versions); and the interpretation of the industrialization process (made up of several partial theories, including one intended to explain external disequilibrium and another dealing with structural unemployment). These and other components of CEPAL thinking are briefly described in O. Rodriguez, "On the conception of the centre-periphery system", CEPAL Review, Nº 3, first half of 1977. Some of them are examined in greater detail in O. Rodriguez, "Sobre el pensamiento de la CEPAL", ILPES, mimeographed text, Santiago, 1977.
distribution have been made the very hub of the analytical formulation, in order to elucidate, on the one hand, the existing interconnexions between such phenomena and the penetration of technique, the improvement of labour productivity, the level of employment, etc.; and, on the other hand, their interrelationships with changes in the social and power structures.

4. The following comments refer only to two major questions:
   (i) How far the reasoning contained in the article integrates or coherently expounds the basic CEPAL contributions relating to the sphere of production. The paragraphs or groups of paragraphs corresponding to this first question are those numbered 5 to 10, in which we have emphasized employment problems, in an endeavour to show that, in our opinion, the discussion of them does not satisfactorily incorporate ideas which are of key importance in the original conception, in particular, the recognition of the structural heterogeneity peculiar to the peripheral condition;
   (ii) How far the article's analysis of the sphere of distribution enriches CEPAL's contributions to the theory of underdevelopment, and especially how it furthers a global understanding of the phenomenon in question. This second aspect is dealt with in the paragraphs and groups of paragraphs numbered 11 to 18, in which we maintain that progress in the direction indicated is hindered, if not prevented, by flaws and limitations in the analysis of the sphere of production.

Similarly, and in so far as it helps to clarify our argument, we refer to the categories used in the study in the analysis of the two spheres, i.e., the concepts of insufficient dynamism and of the surplus.

Sphere of production

5. The concept of insufficient dynamism used in the article constitutes in reality a variant, or more properly a 'complexification', of another similar concept existing in earlier documents. In the original version the aim was to define the sectoral and overall rates of capital accumulation— together with the technological penetration conditions implicit in them— required to provide employment for the labour supply (hypothetically homogeneous in quality) generated by the natural growth of the population, and, in addition, to reabsorb, at normal productivity levels, the manpower employed in sectors with low relative productivity. If such rates were attained, the structural heterogeneity peculiar to the periphery would then be gradually reduced, and eliminated altogether within a time horizon which would vary but would be definable in each case, so that in the long run productivity increments could be reflected in steady increases in real wages.

In the context of CEPAL thinking, employment problems were traditionally studied against a standard of reference of this type, i.e., by investigating the reasons why in the development of the periphery the conditions of 'sufficiency of dynamism' just summed up are not attained.2

The new concept too is defined by contrast with certain conditions of 'sufficiency of dynamism', which are now

2 These conditions are described, for example, in R. Prebisch, Towards a dynamic development policy for Latin America, United Nations publication, Sales N°: 64-II.G.4, pp. 23-43.
associated with the sectoral and overall rates of capital accumulation required to ensure that, as technical progress produced its effects and penetrated into production, the labour force is gradually displaced and re-employed in successive higher-productivity 'layers of technology', in each of which a higher level of skill is required and higher wages are earned.\(^3\) This concept is more complex than the preceding idea, since it dismisses the assumption of homogeneity of the labour force and eliminates the over-simplified dichotomy between normal modern-productivity sectors and sectors where productivity is low, primitive or backward. But in our opinion, although the concept is more complex, it is less precise than the original version, since the links between the generation of new higher-productivity layers of technology and the variations in the skills of the labour force which are required and produced \textit{pari passu} are established only in very general descriptive terms. Furthermore, this lack of precision means that the conditions required to do away with the heterogeneity of the peripheral structure of production have not been clearly defined; whereas they did appear in broad outline in the original concept.

6. The list of factors accounting for the insufficiency of dynamism includes the tempo of capital accumulation, the unsuitability of technology generated in the centres to the special conditions prevailing in the periphery, the growth rate of the labour force, the patterns of consumption associated with the concentration of income, the forms taken by investment (for example, its distribution between directly productive assets and construction) and, lastly, the distortions and inefficiency apparent in the training of the labour force.\(^4\)

In the analysis proper, capital accumulation, technological change and the growth of the population and/or of the labour force are examined in connexion with one another,\(^5\) and the influence of the other factors on employment is then considered separately.\(^6\)

7. The basic argument of the above-mentioned analysis can be summed up as follows. In the periphery full employment of the labour force demands a tremendous accumulation effort, very difficult to achieve, not only because the active population grows exceedingly fast, but also because of the capital-intensive character of the technology generated in the centres; for the greater the rate of increase of labour productivity which this type of technical progress brings in its train, the higher is the investment coefficient required in order to absorb the whole of the labour force.

The connexions between accumulation, technology and growth of the labour force are illustrated by the brief example to be found in the footnote on page 9, where it is assumed, on the one

\(^3\) See "A critique of peripheral capitalism" (hereinafter referred to as "Critique"), chapter II, section 4, and in particular paragraphs 1-6. The numbering of the paragraphs corresponds in this and other footnotes to the normal order of reading.

\(^4\) "Critique", p. 27, paragraphs 1 and 3.

\(^5\) "Critique", chapter II, section 5, paragraphs 3-5, and section 6, paragraphs 1-11. The analysis mentioned refers to the rate of capital accumulation and/or to the investment coefficient 'necessary' or 'required' for full dynamic absorption of the labour supply. Hereinafter the rate and/or coefficient are indiscriminately termed 'accumulation effort'.

\(^6\) "Critique", chapter II, sections 5-9.
hand, that labour productivity increases at a high rate, or that the rate itself rises, and on the other hand, that the productivity of capital remains constant. If the latter stands at 1:3, and the former shows an annual increase of 5 per cent, to absorb a labour force that is growing at a rate of 2.5 per cent per period considered, an investment coefficient of about 22.5 per cent is required. If labour productivity were to rise by 6 instead of 5 per cent, the necessary investment would be still heavier: about 25.5 per cent of the product.

Thus, the analysis of insufficient dynamism contained in the article lays particular stress on demographic factors and inappropriateness of technology—taken as implying an inappropriate degree of capital density, and reflected in the high growth rate of labour productivity, i.e., 5 or 6 per cent,—as elements explanatory of the great accumulation effort ‘necessary’ or ‘required’ for full absorption.

8. We shall endeavour to show that these are not the only factors that should be taken into account in the analysis, and to suggest that they may well not be those of decisive importance in employment problems, or, to put it better, those that determine the immensity of the accumulation effort required.

If certain hypotheses accepted by CEPAL itself in its early documents are taken up again, it will make a significant difference to the results given in the foregoing example. According to these hypotheses, technical progress involves a gradual increase in the productivity of resources, but that of labour rises more than that of capital, so that capital density becomes progressively higher. If, then, the productivity of labour increases by 5 per cent, and that of capital, instead of remaining constant, rises by 2 per cent, the investment coefficient required to ensure full absorption will not be 22.5 per cent, as in the example given in the article, but, in the initial period, when the productivity of capital is 1:3, only 16.5 per cent. Moreover, this coefficient will little by little decrease in the ensuing period.7 If labour productivity were to increase by 6 per cent, ceteris paribus, the necessary coefficient in the first period would be 19.5, not 25.5 per cent.

From this change in the results it can be seen that the investment coefficient is not linked only to the growth rates of the labour force and of labour productivity; besides being connected with other factors to be mentioned later, it is also related to the difference between the rates of increase of labour productivity and productivity of capital. The coefficient may therefore be greater or smaller, depending upon this difference; and for any given level of disparity, it will gradually be reduced through time, the pace increasing as the growth rate of productivity of capital rises.

The aim of the foregoing considerations is not to place the premises of the article in opposition to others considered more realistic, but merely to point out that the inappropriateness of the degree of capital density is not thoroughly examined in the “Critique”.8 Furthermore, however, the analysis of insuffi-

7 The gradual decrease in the investment coefficient is illustrated by the example given in the appended table, part III, column 2. The description of the table will appear later.

8 From a more general standpoint, it might be said that in the article the negative effect on employment produced by an increase in labour productivity is taken into account, but the positive impact that an improvement in the productivity of resources might have on accu-
cient dynamism overlooks the possible incompatibility between the scale on which the techniques are introduced and the dimensions of the peripheral markets: an incompatibility that reduces the productivity of capital in the proportion in which the capital stands idle. Nor does it take into account the structural heterogeneity characteristic of the periphery, which means that employment must be provided at normal productivity levels for the labour force coming from low-productivity sectors, both that generated by the natural growth of the population employed in them, and that displaced from them in consequence of the penetration of new techniques. If the concept of heterogeneity is by-passed, it becomes difficult to work into the analysis these peculiar and specific factors of the 'peripheral condition', whose incidence on employment problems seems to be of great importance.

9. Of the factors superimposed on the basic analysis in order to complete the explanation of insufficient dynamism, we will refer only to patterns of consumption. These are linked to the foregoing train of reasoning through the argument relating to the sphere of distribution, which is considered later on; but the general connexion between the two is clear enough. It is alleged that income is concentrated in social strata whose propensity to consumption is very high and which tend to imitate the consumption patterns of the centres, to the detriment of capital accumulation. The high propensity is prejudicial to accumulation for obvious reasons; and the patterns of consumption undermine it because they increasingly include more efficient goods, whose production entails a higher capital density.

Everything seems to suggest that neither of these two questions can be satisfactorily cleared up without linking it more precisely to those which relate to the sphere of production. We will refer only to the second. (i) It is not evident that what are called in the article 'more efficient' goods always require a higher capital density, in comparison with other types of goods such as those for mass consumption (for example, some branches of the electronic industry, over against certain branches of the textile industry which are totally automatized). (ii) Nor is it clear that higher-density investment options are necessarily conducive to a lower level of employment, since some of them may correspond to activities where there are no problems of scale and/or to branches of industry whose installation does not give rise to displacements of manpower previously employed in low-productivity conditions. (iii) Even if it is assumed for present purposes that the composition of consumption and production which as a whole defines what has come to be called the 'consumer society' has a negative influence on employment, owing to the high capital density it implies, there are no signs that this influence is of real significance for absorption problems, in comparison with others which in practice carry much more weight and which are not discussed: for instance, that of the changes brought about in the production of simpler goods, and particularly in agricultural production.

---

9 "Critique", chapter II, section 5, paragraphs 6 et seq., and section 6, paragraphs 12-15.
10. The foregoing criticisms may be summed up in the statement that, in our opinion, the article under discussion does not contain a sufficiently comprehensive and rigorous analysis of the relations between accumulation, technology and employment. In particular, it does not incorporate into the analysis of the unemployment trend the concept of structural heterogeneity, which is an important, if not a decisive, factor in the specific employment problems of the peripheral economies. In turn, these shortcomings prevent the establishment of a satisfactory logical nexus between the basic analysis of employment and the arguments relating to patterns of consumption which are designed to complement it.

With regard to the other trends of which an explanation is attempted in several of CEPAL’s theoretical contributions in the sphere of production—for example, the deterioration of the terms of trade and external disequilibrium—the article includes only general references, which in virtue of their very nature are not clearly and coherently linked up with the analyses of employment and income distribution. The character of the present notes itself makes it needless to dwell on them in detail here.

Sphere of distribution

11. With respect to the sphere of distribution, we have attempted to convey the basic aspects of the reasoning contained in the article through a simple example, which is summarized in the appended table. In the said table it is assumed that the production function of a hypothetical economy is linear and based on two factors, labour (T) and capital (K); that the supply of the first of these increases at a rate of 2.5 per cent; and that the respective productivity growth rates (t) and (k) are 5 and 2 per cent. These assumptions fix the growth rate of the social product (P) at 7.625 per cent, a figure which in turn requires that capital should increase at an approximate rate of 5.5 per cent. Given the magnitude of these variables in an initial period, the above technical relations make it possible to calculate the values which will correspond to them in later periods, and which are noted in part I of the table.

Let it be assumed that real wages (s) remain constant. As the example postulates full absorption of manpower, aggregate wages (S) will obviously increase at the same rate as the labour force (ΔS/S = 2.5 per cent) and, since the rate of increase of the product is more rapid, the global growth rate of the income remaining—i.e., of the surplus (E) will be higher than that of wages. This likewise implies that the wages/product ratio (S/P) will tend to decrease, and that the surplus/product ratio (E/P) will follow an upward trend, as can be seen in part II of the table.

12. The foregoing example illustrates a precise definition of the surplus—the post size of income from property—

11 For the sake of simplicity, in the example real wages are taken as equivalent to one unit of product.

12 This definition is virtually equivalent to the following extract from the article under review: “The surplus comprises the profits of enterprises, the interest paid on capital, and amortization of fixed capital” (“Critique”, p. 37, paragraph 1).
and also sheds light on the connexion between that concept and the expression 'appropriation of the fruits of technological progress', or the equivalent term 'appropriation of the fruits of higher productivity', a connexion which in the article is somewhat obscured by terminological inexactitudes. As shown in the appended table, the increase in the whole body of wages and in the real output which constitutes this is concomitant with and, broadly speaking, attributable to the increment in the labour force. On the other hand, the increase in the product that can be ascribed, although not quite accurately, to the increment in labour productivity may be said to take the form of the surplus, or, if preferred, to be appropriated in that guise. To look at the same argument from another angle, the constancy of average real wages is an indication that the increases in labour productivity and in the supply and productivity of other resources are converted solely into income from property.

The example discussed is an extreme case, since obviously technical progress may bring about increases in production compatible with a simultaneous rise in real wages and other income. Hence the inference is that the surplus is not equivalent to the fruits of technological progress and/or to increments in productivity, as is sometimes suggested by the terminological inexactitudes referred to above, but is formed inasmuch and in so far as these factors allow income from property to be increased. Another point needing to be made clear is that in each production period the surplus should be regarded as constituted by the whole of this income, and not only by the increase in it.

13. The article places a great deal of emphasis on the non-existence of any economic law governing the functional distribution of income, after the fashion of those formulated in classical and neoclassical economics. Only personal distribution is discussed, on the basis of a definition of three income strata, and it is assumed that there is a general tendency towards concentration, which may take place to a greater or lesser extent, depending upon the interplay of economic, social and political factors. At the same time, however, it is recognized that an economic mechanism does exist which makes it possible to appropriate the fruits of technological progress through the increase in the surplus, or, in other words, which allows increases in productivity to be converted into income from property.

With respect to this mechanism, the central idea seems to be that the continuing increase in the money supply, to which recourse is had as a means of financing the costs of an expanding production which is undertaken for sale in the future, with a certain time-lag, generates a demand that is excessive in relation to the smaller output produced in the past, which also enters the market with a similar time-lag. The consequent rise in prices makes it possible in principle for the increases in productivity which accompany those in production to be wholly or partly converted into increments in income from property. If, for example, production in period 2 in the appended table were to be effected with an amount of money exceeding the figure for the preceding period by 115.8/117.6 - 1 = 7.6 per cent, the overall level of prices in period 1 could be

13 For an example of these inexactitudes, see "Critique", p. 13, paragraph 5; p. 36, paragraph 1; p. 37, paragraph 2.
raised by an equivalent percentage; and that in turn would enable the distribution of income to be altered in such a way as to reduce the proportion absorbed by wages from one-half to 47.6 per cent, and correlatively increase the share of the surplus.

The present comments do not cover this argument since it seems to us incomplete. What is important to stress is that when it is examined in the article, the reader is led to confuse the surplus demand to which reference has just been made with the concept of the surplus previously defined.¹⁴

¹⁴ The same example may serve to indicate the type of relation that is established between income concentration and patterns of consumption. Part III of the appended table shows that the whole body of wages, which hypothetically is spent entirely on the purchase of simple goods, constitutes a decreasing proportion of the product. As the rate of investment (I) follows a downward trend, and therefore the percentage of the product represented by total consumption (C) rises, the consumption of those who receive income from property (Cₑ) will necessarily form an increasing proportion of the product, and also of total consumption. The fulfilment of this condition probably means that the consumption patterns paid for out of the surplus must be gradually diversified and made more complex, so as to prevent an insufficiency of demand from hindering the continuity of growth.

In this way, although again somewhat over-simplified, the idea emerges that the tendency towards income concentration will be accompanied by the imitation of the consumption patterns of the great centres, which in its turn is based on the inequity of income distribution.

15. In the foregoing comments we have attempted to demarcate three aspects of the argument relating to the sphere of distribution: the analytical category used in this reasoning, i.e., the concept of the surplus; the analysis proper, or in other words, the ideal representation of the economic mechanism whereby a part of the fruits of technological progress is appropriated in the form of a surplus; and the long-term phenomenon which it is sought to explain, that is, the tendency to income concentration, together with the associated trend in the sphere of consumption. Even without having paused to examine the second of these aspects in detail, it may feasibly be asked how far the general line of reasoning—the preeminence given to phenomena in the sphere of distribution, and the emphasis placed on the need for a more than merely economic approach to explain them—constitutes a satisfactory road towards enrichment of the theory of under-development. The remaining comments refer to this question.

16. The first reservation to be made with respect to an orientation of this type concerns the universality attributed to the above-mentioned phenomena. Particularly well suited to clarify our point of view is a passage by Celso Furtado in which he says that the existence of a ruling class which imitated the consumption patterns of countries with a much higher level of capital accumulation, and which was impregnated with a culture whose motive force was constituted by technical progress,
thus became a basic factor in the evolution of the peripheral countries. He then points out how the fact to which he alludes—and of which it would not be difficult to find historical testimony—plainly shows that in the study of under-development there are no grounds for giving priority to the analysis at the level of production, and relegating circulation problems to a secondary level. To grasp the nature of under-development, as from its historical origins, it is indispensable to focus attention simultaneously on the production process (reallocation of resources which give rise to an additional surplus, and the way in which this surplus is appropriated) and the circulation process (use of the surplus linked to the adoption of new consumption patterns copied from countries where the level of capital accumulation is much higher), which in conjunction engender the cultural dependence that underlies the process of reproduction of the corresponding social structures.15

In the passage referred to above, as in the article under discussion, a point of view that has gained currency in recent years is adopted: the idea that the consumption patterns (and the appropriation of the surplus which sustains them) are general characteristics of under-development, and a basic condition of the evolution of economies of this type, in the same way and with the same significance as those trends in the sphere of production to which special importance is attached in the original CEPAL conception.

This view, which has also been winning adherents, may possibly be a generalization from the recent experience of some Latin American economies, whose great dynamism has been associated with what would seem to be an increasingly inequitable distribution. At all events, there does not appear to be evidence of such trends in all cases of underdevelopment, at all times and everywhere, or even in all the industrialization experiences of underdeveloped economies. It is worth while to recall, for example, the differences between the distribution and consumption patterns which accompanied industrialization in Argentina in the decade following the Second World War, and those prevailing during the past decade in the major economies of the Latin American region.

17. Unquestionably, the analysis of a specific economy from the standpoint of distribution and consumption may be of great value for elucidating the overall characteristics of its operation and of its long-term evolution, as well as for the formulation of economic policy in these two spheres, or even for the designing of development policy. Similarly, the analysis of distribution is not relevant only for applied economics or for economic policy; it is also pertinent to theoretical economics, since in broadening the field covered and bringing into prominence aspects of social life which would otherwise remain out of sight, it relates them more precisely to the rest, with beneficial effects on the degree of coherence of the theory as a whole.

With this proviso, we would make a second reservation, with reference to the priority accorded and the paramount importance attached to the analysis of the distribution sphere. The procedure which seems to us inappropriate, and which is also becoming habitual of late, consists basically in drawing up certain

hypotheses, with a semblance of generality, on the patterns of personal income distribution and of consumption, and then seeking to discover their causes, by examining the contradictions and incongruities manifested in the sphere of production. In other words, the aim pursued is to restructure the overall analysis of underdevelopment, including the various partial analyses concerned with the sphere of production, by articulating them in relation to the analysis of distribution, which in its turn is grounded on specific hypotheses of dubious general validity.

Setting aside the validity of the hypotheses, and also the methodological problems which such a proceeding involves, to follow it leads in practice, in our opinion, to an obstacle hard to overcome, namely, the incompleteness of the analysis of the sphere of production itself. In this context, the basic CEPAL contributions include several theoretical studies which seek to give an account of the trend towards a deterioration in the terms of trade and of its significance, and an interpretation of the industrialization process which explains the tendencies towards external disequilibrium and structural unemployment, by means of two partial theories. These different theoretical contributions are linked together only at the level of general concepts, that is, on the plane of the most abstract ideas relating to the characteristics of the centre-periphery system. Hence their precise logical articulation would appear to be a prerequisite for connecting them up with the analysis of the sphere of distribution, and maintaining the coherence of the whole.

18. The third reservation relates to the possibility of achieving a more than merely economic interpretation of the development process through the analysis of the sphere of distribution. We would venture to imply it by contrast with the purely embryonic view outlined below, which also concerns the method of approximating to this type of approach.

In CEPAL’s various theoretical propositions relating to peripheral industrialization, the three trends referred to above are explained, in the last analysis, by disproportions occurring between the amounts and/or growth rates of production, and/or of the utilization of resources from the various internal and/or external sectors (peripheral and/or central). Although this generalization cannot be demonstrated here, it can at least be clarified a little, to which end it may be briefly exemplified in the explanation of the trend towards external disequilibrium.

CEPAL analyses this trend in tacit contrast with a theoretical standard of reference, which establishes the conditions that should be met in order to keep the trade balance stabilized during the import-substituting industrialization process. Given certain assumptions as to the growth of the centres and of the primary-exporter sector of the periphery, it is supposed that the expansion of the sectors producing for the domestic market can be effected in such a way that complementarity between their products, combined with a change in the composition of imports—the opportune reduction of some of them so that the import requirements of the branches in process of expansion can be met—, permits the maintenance of external equilibrium. The trend towards disequilibrium is explained by contrast with this standard of reference. It is alleged that import-substituting industry itself, as its
production gradually evolves from simpler to more complex goods, generates huge import requirements, which tend to exceed the limits imposed by the slow growth of exports and by exhaustion of the possibilities of restricting non-essential imports. In other words, the changes in the structure of production by which industrialization is characterized, and the changes in the composition of imports by which it is accompanied, do not in practice occur in accordance with the conditions of proportionality necessary to preserve equilibrium. Disequilibrium is ultimately traceable, therefore, to disproportions between the growth rates of the various peripheral sectors and/or between them and the growth rates of the centres.

It was asserted above that the logical articulation of CEPAL's various theoretical contributions has not yet been satisfactorily achieved. Perhaps these previous assertions contain the germ of an idea as to how an improvement may be attempted: by endeavouring to establish the sectoral growth rates that should be attained if the "laws of proportionality" formulated in the said contributions by means of partial analyses are to be complied with simultaneously and in relation to one another. Thus, for example, although serious analytical difficulties might perhaps be involved, it is possible in principle to define the conditions and/or sectoral growth rates required on the one hand to ensure the preservation of external equilibrium, and on the other to eliminate structural heterogeneity, i.e., to achieve the gradual reabsorption of the entire labour force in branches and at levels of normal productivity, within a definite period of time.

Very broadly speaking, then, it may be affirmed that the rearticulation of CEPAL's basic analyses would call for the establishment of an ideal standard of overall and sectoral growth, so designed as to prevent the emergence of the trends characterizing peripheral development—deterioration of the terms of trade, external disequilibrium, unemployment—; and such that the conditions of disproportionality underlying those trends could be judged by contrast with it. But clearly, in addition its description of the growth of production of goods would be so complex that a prerequisite for establishing it on coherent lines is to define the sectoral and global conditions in respect of capital accumulation and penetration of technology that would guarantee proportional growth, and would thus preclude the appearance of the aforesaid disequilibria and undesirable trends. To attain this end, however, it is sufficient to determine the accumulation conditions 'necessary' or 'required' for the several proportionality relations to be simultaneously produced; and these conditions do not constitute a replica of the spontaneous accumulation process, that is, of the accumulation process as it conceivably may derive from the behaviour of specific economic agents upon whose decisions it depends.

Let us again resort to an illustrative example. We may imagine an intersectoral distribution of investment, associated with certain technological options, whereby unemployment becomes avoidable within a given length of time, and labour productivity gradually climbs to the levels prevailing in the central countries: a distribution which likewise contemplates simultaneous increases in installed capacity in the exporter sector and in each and all of the sectors producing for the home market, as well as changes in the composition of imports capable in the aggregate of preventing external disequilibrium. But
this ideal model of 'required' accumulation will not afford an explanation of why in practice accumulation has occurred at specific rates in the economy as a whole or in the different sectors; in other words, such a paradigm does not disclose the reasons for which actually a pattern of accumulation was followed that gave rise to unemployment and external disequilibrium.

It would seem essential, in order to attain an overall vision of underdevelopment, not only to rearticulate CEPAL's analyses of the trends that characterize it, but also to try to detect the basic causes of these trends, by attempting an analysis of the driving forces behind accumulation, and of the way in which they determine its rate and patterns. What are the grounds for this opinion? The CEPAL analyses deal with the sphere of production, but in essence they establish relations of proportionality only between the sectors of physical production; their rearticulation would entail elucidating and defining the conditions of accumulation 'required' to ensure that the several proportionality relations were simultaneously fulfilled. On the other hand, to attempt a representation of the spontaneous accumulation process, while at the same time seeking the causes underlying the sectoral disproportions in growth, implies investigating the social relations that are established in the sphere of production, i.e., the basic economic relationships evolving in connexion with the generation, appropriation and utilization of the economic surplus. A point worth clarifying is that these relations are not only internal, but external too, and that the latter comprise not only those formed through commerce and expressed in the deterioration of the terms of trade, but also all those involving foreign capital, in the broadest sense of the words.

Lastly, we come to consider the limitations of the analysis of the sphere of distribution as regards achieving a more than merely economic interpretation of underdevelopment. At first sight, it might seem that such an analysis is simply the reverse of the one just expounded, and that the path it offers is easier and quicker, inasmuch as personal income distribution is visibly influenced, and continually altered, by non-economic social relations, and in particular by redefinitions in respect of power relations. There are reasons for thinking, however, that the theoretical speculations which follow this road, although they may achieve significant partial results, are not conducive to the desired type of global approach.

The most important of these reasons consists in the lack of an adequate analysis of basic economic relations, which are the most general and the most permanent, and form the framework that conditions the more particular and contingent relations established in the sphere of distribution. It is not hard to see that this consideration implicitly underlies the reservations stated in the two preceding paragraphs. For precisely owing to that lack, when the sphere of distribution is taken as at once the starting-point and the axis of the intended global analysis of underdevelopment, in the face of marked variations in distribution, and/or very striking developments in the socio-political sphere, there is a tendency to place the accent on a set of new hypotheses, of dubious universality and constancy. Similarly, again because of the same lack, these hypotheses are commonly articulated by means of a socio-political analysis, which is not integrated with the economic analysis, but is superadded to separate parts of it, introduced ad hoc as the argument develops.
ANNEX

I. Technical relations

<table>
<thead>
<tr>
<th>Variables</th>
<th>t</th>
<th>T</th>
<th>k</th>
<th>K</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2</td>
<td>50</td>
<td>0.333</td>
<td>300</td>
<td>100</td>
</tr>
<tr>
<td>1</td>
<td>2.1</td>
<td>51.25</td>
<td>0.34</td>
<td>316.5</td>
<td>107.6</td>
</tr>
<tr>
<td>2</td>
<td>2.205</td>
<td>52.53</td>
<td>0.347</td>
<td>334.0</td>
<td>115.8</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>352.4</td>
</tr>
</tbody>
</table>

II. Distribution

<table>
<thead>
<tr>
<th>Variables</th>
<th>s</th>
<th>S</th>
<th>ΔS/S</th>
<th>E</th>
<th>ΔE/E</th>
<th>S/P</th>
<th>E/P</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>50</td>
<td>0</td>
<td>50</td>
<td>0</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>51.25</td>
<td>2.5</td>
<td>56.38</td>
<td>12.75</td>
<td>47.62</td>
<td>52.38</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>52.53</td>
<td>2.5</td>
<td>63.30</td>
<td>12.28</td>
<td>45.35</td>
<td>54.65</td>
</tr>
</tbody>
</table>

III. Investment and consumption

<table>
<thead>
<tr>
<th>Variables</th>
<th>I/P</th>
<th>C/P</th>
<th>CE/P</th>
<th>CE/C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>x 100</td>
<td>x 100</td>
<td>x 100</td>
<td>x 100</td>
</tr>
<tr>
<td>0</td>
<td>16.54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>16.22</td>
<td>83.78</td>
<td>36.16</td>
<td>30.30</td>
</tr>
<tr>
<td>2</td>
<td>15.90</td>
<td>84.10</td>
<td>38.75</td>
<td>32.59</td>
</tr>
</tbody>
</table>

Notes: The variables are defined in the text. It is tacitly assumed that gross investment is equal to net investment, and that it matures with a time-lag of one period.
The following comments centre on certain important political and social propositions in Dr. Prebisch's critique of peripheral capitalism, leaving to those better qualified the discussion of his economic explanations. Restated in simplified terms these propositions are:

1. The distribution of wealth and incomes in peripheral societies derives not from market forces but from the initial distribution of power. Peripheral capitalist development enables the powerful few to continue to concentrate the lion's share of its fruits in their own hands;

2. The distribution of power also determines the distribution of opportunities to acquire the formal qualifications or 'training' for entering into the managerial, technical and bureaucratic positions required by the style of development. Once the rate of expansion of the resulting 'intermediate strata' exceeds the expansion of real demand for their services, the share of power that determined the acquisition of qualifications also requires the 'spurious absorption' of the possessors into favoured areas of employment. At lower levels of skills and incomes within the activities generated by development similar processes are at work. The distribution of power and the sluggish labour-absorptive capacity of these activities guarantee that the initially poor and weak will remain excluded;

3. The distribution of power and of incomes generates the 'consumer society' in its present concentrated, wasteful, and imitative form. It also influences the patterns of introduction of technologies and the failure to generate technologies better adapted to the conditions of the peripheral countries;

4. The consumer society for stratified minorities is incompatible with achievement of a sufficient rate of accumulation to permit eventual absorption of the marginalized masses into productive, well-paid employment;

5. While peripheral capitalist development permits broadening of the minorities able to participate in the consumer society, and indeed needs this for its own functioning, it cannot do so beyond a certain point, owing to insufficient dynamism and the insatiable appetites of the groups already participating. To the extent that the excluded groups, now condemned to 'infraconsumption', gain in ability to use organization and democratic political processes to force an entry, either inflation accelerates, or the power-holders replace formal democracy by the use of force, or both;

6. Peripheral capitalism is imitative rather than innovative in the manner of central capitalism, divorced from societal needs and resource endowments, incapable of overcoming its internal contradictions except through repression. Its evolution under the hegemony of the world centres stunts the development of the
entrepreneurial class and discourages it from struggling against these shortcomings.

These propositions, from the way they are stated, clearly have a normative purpose. They point to trends that are self-evidently unacceptable, whether in terms of democratic values, of human welfare, of national autonomy, or of progress toward self-sustaining economic growth. It follows that men of good will must diligently seek means of changing them. Certain questions then come to the fore: If the diagnosis is correct in the central role it gives to power, where can one identify plausible agents of transformation? If transformation is feasible, how profound and traumatic need it be? In other terms, to whom is the study addressed and what does it expect the addressees to do? Can the ills be overcome through reforms in the prevailing style of development, or do ills so great call for an entirely different system? 1 Evidently Dr. Prebisch’s long experience has left him very much aware of the complexity of these issues, the dangers of over-simplified superficially radical prescriptions, and the probability that the future has surprises in store for us. Thus he limits himself to a few discreet hints on what can be done and by whom.

However, the increasingly disturbing evidence that peripheral capitalist development has led the Latin American national societies into a trap from which they will be able to emerge only at very high social costs of one kind or another, pushes one on to the dangerous ground of thinking about alternative agents to whom a study posing a radical challenge to the prevailing style of development can be addressed.

The arguments might be addressed to the present power-holders within the peripheral capitalist societies, but why should they be persuaded by arguments against a system that works in their favour? Two lines of persuasion have been current since the 1950s or earlier: (a) that the prevailing style of development is incompatible with professed democratic and human welfare values; (b) that it will not be viable over the long term, so that the power-holders must reform it in the interest of their own survival. However, the spokesmen of the power-holders obviously have no difficulty in reinterpreting democratic values to justify whatever tactics they find necessary, and they are obviously not convinced by the second line of reasoning; they can argue in return that the main threat to viability of the style is governmental reformist interference with its logic. In other terms, the tactic dictated by their own perceived interest is that of “changing just enough so that nothing will change”. During recent years, entrepreneurial groups have emerged in most countries that identify aggressively with the prevailing style, consider its impact on the poor mainly a problem for the police, and justify their ideology by the unsatisfactory performance of reformist and populist régimes in Latin America and elsewhere.

The intermediate strata that have a lesser and possibly illusory share in power are hardly more open to arguments on the need for transformation of the style of development, except to the extent

---

1 Reforms in style would presumably retain central features of capitalism, whether or not accepting the label, with better planned and more decisive state intervention to redress the internal and external balance of power. The articles by J. Graciarena and A. Pinto in the same issue of the CEPAL Review discuss the distinction between style and system.
that they interpret the transformation as a means of enhancing their own relative position. At this level reactions can be expected to be more contradictory and ambivalent than at the level of the major power-holders, in view of the shocks that present crises are dealing parts of the intermediate strata and the increasing strain on the capacity of the system to meet their expectations through privileged education and 'spurious absorption', but their main reaction is defensive against any threat of a narrowing of the gap between them and the excluded masses.

Again, the arguments might be addressed to the technobureaucracies that have been gaining in experience and self-confidence; within the CEPAL tradition of training of economic planners this is the most accessible kind of agent. Conceivably part of the state apparatus, convinced of the need for transformation, might act autonomously, consolidating power and using it to redistribute income, curb the consumer society, and raise the rate of accumulation. However, experiences of this kind up to the present hardly justify confidence; technobureaucracies, whether military or civilian, commonly exaggerate their own understanding of the societies on which they try to act and their power over them. If they alienate the power-holding élite or the intermediate strata, the consequences are likely to be more than they can handle; they cannot afford to mobilize the masses, however much they may talk of popular participation; and without such mobilization the constraints imposed by the world centres linked to the domestic power-holders sooner or later bring them to an impasse. Moreover, an increasing proportion of the technobureaucrats seem to be ideologically identified with the entrepreneurs mentioned above.

Then, too, the arguments might be addressed to actual or potential power-holders in the central countries. This way out becomes tempting, in spite of a certain incongruity with the objective of enhancing national autonomy, if one concludes that the power-holders in the periphery will neither be displaced nor mend their ways in the absence of a shift in the patterns of dependency and the external stimuli continually strengthening the consumer society. It becomes more tempting in so far as one questions the supposition that the centres have coherent 'imperialist' policies toward the periphery. If, as a good many social scientists in the centres now argue, central policies toward the periphery really represent an internally contradictory aggregate of 'bureaucratic politics' of public agencies pursuing their own purposes in alliance with different clientèles and pressure groups, and if the most influential counterattacks on the excesses of the consumer society and the concentration of economic power are now visible in the centres, it should be possible to find allies there to redress the balance of power in the periphery. It is well known that the dominant forces in some of the smaller central countries now advocate for the Third World styles of development quite similar to those implied by Dr. Prebisch's critique of peripheral capitalism, an advocacy that leaves them with few deserving candidates for assistance. In a more restrained way, the heads of international financing agencies are now urging similar changes in priorities in the Third World. The United States is likely to become more open to a reformist approach of this kind than it has been since the early 1960s. These shifts in attitudes in the centres leave most of the Latin American countries seeking external aid in a trebly
vulnerable position, because of their levels of per capita income well above the Third World average, because of the notoriously uneven distribution of incomes and consumption, and because of the power-holders’ reliance on repression to protect the distribution of income and the sources of dynamism of the prevailing style. In one way or another, external evaluations of the prevailing style of development have to be taken into account in the calculations of the peripheral power-holders. The changing nature, real objectives and capabilities of the interlocutors in centre and periphery deserve careful study to enable the quest for alternative styles of development to go beyond the ritual proliferation of ‘world plans of action’ and ‘new economic orders’. The experience of the Alliance for Progress demonstrates the precariousness and ambiguity of reform policies advanced by the centre, partly under the influence of reformers of the periphery, and formally accepted by national power-holders as a condition for external aid.

Lastly, the arguments might be addressed to counter-élites aspiring to mobilize the social classes exploited or excluded within the peripheral capitalist style of development and to take power in their name. (It can be assumed that the marginalized masses themselves will not be readers of the CEPAL Review.) Such counter-élites have been on the stage for some time, and would readily accept the causative relationship between power, income distribution, the consumer society, and insufficient accumulation. However, they would not and probably could not limit their remedies to the construction of capitalism with a human face. The study touches very lightly on the fact that an important part of the political leadership of the lower and middle strata has rejected the peripheral capitalist rules of the game and feels no responsibility for making anything like the prevailing style of development work better. In other terms, they opt for a change of system. These political currents have not, except in Cuba, been strong enough to impose an alternative system, and as Dr. Prebisch hints in his last paragraph their ideas of how to get power and what to do with it are not as clear as they might be. At the least, they are strong enough for their rejection of the prevailing style to make the distributive struggle more intransigent.

In the end they face much the same problem as does Dr. Prebisch: How can an unacceptable and possibly non-viable economic-social-political system be transformed in the face of large minorities, constituting the most articulate and organized strata of the population, that are intransigently unwilling to give up the advantages they now enjoy or hope to enjoy; a transformation that would have to be carried out by other minorities, themselves deeply divided over strategies and values, with the support of disadvantaged masses having a weak capacity for disciplined action? The admiration for the Chinese model shown both by the moderate critics of the peripheral-capitalist consumer society and by its anti-capitalist enemies is symptomatic of their tactical difficulty. If one could only start with a frugal, hardworking, innovative, egalitarian population innocent of aspirations for automobiles, television, and vacations abroad, confronting a handful of oppressors!

The question of power thus leads to the question of values. If any conceivable social agents set out to transform the structure of power that determines
the distribution of incomes, will they be able simultaneously to inculcate values that are compatible with a relatively egalitarian and austere standard of consumption and a higher rate of accumulation? It is just as hard to imagine the masses now excluded, once they have a taste of power, voluntarily moderating their demands to the planners' judgment of what can be afforded. It is even hard to imagine the technobureaucracies or counter-élites setting an example of austerity and efficiency in the use of public resources, without which their exhortation to other elements in the society will carry little weight. The fate of national attempts to modify the prevailing style of development while "democratizing" the consumer society is too well known to require further comment. The point made by Aníbal Pinto in his "Notes on styles of development in Latin America", that the masses in any kind of country would vote for the consumer society if given the choice, and that its condemnation is limited to certain intellectual minorities, is quite valid, but does not negate the probability that the masses would be voting for a paradise that can be real only as long as they are excluded from it.

At present, the life-styles of all strata of the societies in the periphery as well as the centre, with the probable exception of very small élite minorities, are undergoing shocks that may well become even more frequent and intense in the future. Large intermediate strata are unable to maintain their previous levels of consumption, and the practicability of their aspirations for their own and their children's future comes under question. The shocks might be educational, but who is to teach the lesson? One might envisage a gradual change in values centering in the youth, stimulated by societal crises but channelled by innovative forms of education and the generation of alternatives more attractive than the consumer society, but who is to transform the education and offer the alternatives? Some recent experiences indicate that within stratified and competitive societies proposals to change educational content and objectives in the direction of contributions to productivity, social equality and service to the underprivileged strata of the society excite more unmanageable resistance than do policies freezing the quantity of "training" for the higher posts and tightening the selectivity of admission to such training.

In certain cases, a radically different style or system of development can be facilitated through export of the more recalcitrant parts of the intermediate strata to more congenial climes, at the price of appreciable short-term losses in professional and technical manpower, as in the case of Cuba; but the size of the intermediate strata in the larger Latin American countries makes this 'solution' improbable. For the most part, the beneficiaries of the consumer society are in a better position to expel its critics. The future of the consumer society in Latin America seems permanently precarious and also repellant in its beneficiaries' complacent acceptance of the price in terms of poverty, powerlessness and repression for others. However, one cannot altogether blame these beneficiaries for believing that, for them, any remedy will be worse than the disease, and that for the rest of the society the gains will be problematic.

In conclusion, it seems worth while to touch hesitantly on one central economic proposition in the "Critique of peripheral capitalism". This study, like previous works of Dr. Prebisch, contin-
ually emphasizes the need for achievement of higher rates of capital accumulation. The negative evaluation of the consumer society and the pattern of industrialization that has shaped it and been shaped by it in a process of circular causation suggests that just as much emphasis should be placed on the kind of accumulation. Accumulation of what for what? If it is true that a high proportion of present capital accumulation simply helps to consolidate the consumer society and strengthen the case for its irreversible perpetuation (e.g., urban construction of luxury housing and office buildings; automobile manufacture and its linkages to highways, urban land occupation and infrastructure, maintenance and fuel supply networks), does it not follow that the aggregate rate of accumulation contains components that are irrelevant and components that are negative as well as components that are positive from the standpoint of eventual achievement of adequate livelihoods and meaningful activities for the whole population? If one really judges that the present consumer society is permanently inaccessible to the masses of the population and maintainable only at their expense, does it not follow that rates of accumulation as now calculated cannot legitimately be presented as objectives? In this area, a non-economist quickly gets out of his depth, but it would seem that a systematic demystification of accumulation rates and economic growth rates may be needed as a component of the critique of peripheral capitalism and its version of the consumer society.