

The Insertion of Latin America in the Global Context. A Focused Approach to Regional Economic Development

Luiz César Fernandes da Silva

Paulo Reis Mourão

School of Economics and Management of the University of Minho

Abstract

The 90's was a period of significant change for the Latin American economies. Countries experience considerable political and institutional reforms to make the trade and financial openness. The implemented model of economic development shall be based on liberalizing measures in reducing the state's role in the economy and was attributed to the market the lead role of inducing economic system. At the end of the decade, poor results on the economic and social sphere were reflected in several countries and a further review in development policies is now favored. Thus, the ideas of theoretical analysis of the thinking of the Economic Studies Committee to Latin - America (CEPAL) is postulated on the agenda. Based on the Keynesian thought and a historical-structural approach, the production of the institution lies in the analysis of the conjecture and consequences of deregulation and economic and financial liberalization that prevailed. He proposed an approach to regional economic development that would reconcile economic growth with better income distribution, employment and growth with technical progress and social equity. This paper considers, by inserting the Latin American countries in the global integration in the 90s, the ideal of theoretical analysis of the thinking of CEPAL, the socioeconomic situation, as an alternative form of the reforms made in that decade. Therefore, it makes for a bibliographic approach, a reflective analysis highlighting the opinion of the institution.

Keywords: CEPAL; Development; Productive processing; Social Equity.

Introduction

In 1948, there was the emergence of the school of economic thought CEPAL, focused on Latin American structuralism, concerned with economic growth combined with economic and social development. Their emphases fall at the same time, production, society and the observation of different forms of dependencies between the peripheral countries (undeveloped) and central (developed). The spread of this progress occurred differently in the center and the periphery. In advanced countries it spreads to the whole economy, producing the effect of raising the overall productivity of the system, while in the peripheral, modern technologies have been incorporated in the export sectors, focused on the supply of food and raw materials of the central economies (primary-exporting countries). (Prebisch, 1949).

The thematic basis of the institution refers to the analysis of underdevelopment, for, from there, to seek solutions to growth and economic development in the long term, sustainable. For CEPAL, underdevelopment can be synthesized into two basic propositions: the first was that Latin American economies have developed poorly diversified structures and poorly integrated with a dynamic primary export sector, unable to spread technical progress for the rest of the economy, employing the set of hand labor and to allow sustained wage growth real; The second, the rate of incorporation of technical progress and increased productivity would be significantly higher in industrial economies (center) than in economies specializing in commodities (periphery).

However the transfer of productivity gains because of trade did not arise from the center to the periphery, but it was observed the other way - periphery transferred their productivity gains to the center, resulting an increasing disparity between them. This thesis is linked to the economic cycles by the idea of Schumpeter and how the underdeveloped structure of production and the labor of the peripheral countries did not allow these to assimilate the fruit of technical progress market (Fusfeld, 2001). Note that the analysis is to demonstrate that the development in the peripheral countries

is different from the classical transition that took place in developed countries. Underdeveloped countries are submitted (limited) for the development of other countries and its late participation in global capitalism. Thus, overcoming underdevelopment necessarily involves rupture with external dependence. Without ignoring the general contributions of economic analysis, CEPAL signals to study the specificity of the process of structural and peripheral growth of the countries of Latin-America. That is, it observes that the characteristics and the particular problems of these nations determine specific studies. " One of the most conspicuous deficiencies of general economic theory, from the point of view of the periphery, is its false sense of universality." (Prebisch, 1949, p.4)

With a historical-structural approach and based on Keynesian thinking (Interventionism, defense-growth policies of investment and product critique of Say's law, emphasis on domestic demand and effective rejection of orthodox theories of inflation and international trade), the CEPAL was characterized as a school of thought specialized in examining the economic and social trends of medium and long-term Latin American countries. Sixty years after its creation, in all the decades the institution postulated his theoretical ideas about the diversity of economic and social problems that occurred on the countries of America - Latin. In the decade of 50, the argument rests on the possibility of changing the productive structures to reduce external dependence of peripheral countries to achieve development. It is necessary to carry out industrialization policies as a way to overcome underdevelopment and poverty. Thus, the government plays an important role in the planning, allocation of resources and protectionist measures to counterbalance productive differences between the center and the periphery. In the 60s, it was understood that the transformations necessary to industrialization correspond to fundamental changes in production structures, as growth in peripheral countries occurred in macroeconomic instability. In the 70s, with increasing concentration of income, the analysis rests on the problem of a locative efficiency due to driving errors of industrial and trade policy. To correct indicate solutions to enhance industrialization and exports as mechanisms to face the difficulties of international integration. Warn of the risk of debt, financing and deliberate trade liberalization. The delicate¹80, proposed policies are on income adjustments, monetary and fiscal. Advocate replacing a recessive adjustment in the balance of payments by an expansive setting for resolution of the external imbalance and the use of economic policies to enable the productive structures could accommodate the necessary reallocation of resources (Bielschowsky, 2000).

A special period of significant change for Latin American economies, occurs in the 90 countries undergo considerable political and institutional reforms to make the trade and financial openness. The implemented model of economic development shall be based on liberalizing measures in reducing the state's role in the economy and was attributed to the market the lead role of inducing economic system. At the end of the decade, poor results on the economic and social sphere were reflected in several countries and a further review in development policies is now favored. Thus, the institution considers its consideration of the conjecture and consequences of deregulation and economic and financial liberalization in force. He proposed an approach to regional economic development that would reconcile economic growth with better income distribution, employment and growth with technical progress and social equity. The "idea-matrix" is the productive transformation with equity. Is related (among others) the discussions on the difficulties for effective and productive social change, ineffective export specialization and external vulnerability to capital movements that are characteristic of the process that period (Moretto and Giacchini, 2006)

The 90 and the position of CEPAL

Proposals around the transformation of the productive structures of the region conjecturing greater social equity. "Productive Transformation with Equity", or TPE, (1990) was given from the lessons left by the debt crisis of the 80s In the TPE, it has been suggested an updated of the development. Several authors have suggested how these evidences should have harmonized economic growth with better income distribution and the consolidation of democratic regimes. There was also the recognition that the Latin American status has become more dependent on the fluctuations of the global economic order. Thus, economic integration and intra-regional cooperation would be important around specific goals to strengthen international integration, productive articulation and interaction between public and private actors. Beyond,

And the primacy of Neoliberal ideas (market as a promoter of the economy) and the degree of "integration of world economies" the characteristic of the decade, the economic results - Social Latin American countries in the period were bad. The role of the state as an economic and social articulation in the intervention in promoting the public interest, in its various

¹ The "lost decade", the establishment of liberal ideas from the Washington Consensus and the "failure of Keynesians concept".

areas and at various levels of intensity, combining responsibility or duty, became the background. The strategy adopted in the period, as Batista Jr. (2000) claimed, was a general presumption assumed dogmatically in favor of globalization, trade and financial liberalization, deregulation, reduced role of the state and a prejudice against what was national.

The periphery countries were then subject to adjustment conditions imposed by the debt crisis and these economies were literally captured by the globalization process, running their stabilization programs in accordance with the rules of liberalized financial markets. One must understand that the basic rule of stabilization with financial openness is the creation of an offer of attractive assets that can be taken over by the general movement of globalization. This list included public debt, in short, highly liquid large; shares of companies in the privatization process; bonds and commercial papers of companies and reputable banks (Belluzzo, 2005, our translation)

In this scenario, emerges the possibility of a new revision in policy in order to rethink growth with economic development. Faced with the situation, CEPAL conditioned its approval to a strategy to reduce social inequalities. It directed to the need to enable a policy for achieving a "genuine competitiveness." This policy would be based on technical progress and expansion of existing infrastructure, increase the level and access to education, improved technical training of skilled labor and the creation of a stable macroeconomic environment as opposed to a "spurious" competition, that was integrated to currency devaluations and low wages. The state action should continue this, especially in the service of the economic system efficiency and social justice (Bielschowsky, 2000).

For this author, there is the "neo-structuralism", from the 90s, as they continue in a way, "the three underdevelopment of the features identified in the '50s."

The "new structuralism" focused then on the policy development, adapting in its speech, a new state position in the economy and an "open" dialogue with the "right" and "left" with regard to the institutional ideological theoretical aspect. In relation to this 'new strategy', Batista Jr. (2000), points out that there was a valuation of the role of the state and of the national issues, which have always been clear to the structuralist tradition (Bielschowsky, 2000a).

Productive transformation with social equity and diversity policies.

Revenues from TPE aim to change the productive structures in a framework that combines macroeconomic stability, production efficiency, social equity, environmental sustainability and the strengthening of democratic and participatory system. When dealing with these fundamentals, CEPAL draws attention to the fact that most countries in Latin America found difficult to balance economic growth with income distribution. This distortion would be the result of five structural characteristics of the region, which should be considered for the development of a transforming growth strategy; Low level of domestic savings; Low international competitiveness; Weakness of technical progress, Absence of structural breaks in Latin American history, and The continent's economies have never been able to absorb the increase in the economically active population, even in the period of rapid economic growth (1950-1980).

The expansion of the internal market (national and regional) favors a more balanced growth and it is an important basis for technological diffusion by establishing a more positive link between competitiveness and equity. In this respect, for the strengthening of international integration of the production system, the institution proposed a moderate trade liberalization policy consistent with some degree of state intervention, such as the promotion of exports.

The advantages to companies could be provided through joint initiatives by two or more countries. The gains in economies of scale and productive complementarities, also associated with improving the organization of the labor market, credit and education, would lead to reductions in production costs and increased demand. This stemmed from the social integration at the level of each country. Regarding the important factors in regional integration would be the incorporation of technical progress and productive articulation, which includes the addition of income from innovation activities, to reduce trade barriers, promote the standardization of rules and regulations, encourage the creation of centers excellence and reduce research costs (CEPAL, 1994).

International context always had a decisive influence on the performance of the economies of the region. However, there are economic policy measures that may affect differently the short and long-term flows, or productive investments "versus" purely speculative investments. Once capital flows can affect macroeconomic variables, since the negative externalities of international capital markets (such as: frequent cycles of abundance and scarcity of resources) would require countries themselves against the use of these flows. If it does not happen this, could the objectives could be achieved at the expense

of an imbalance of other important variables, which in turn could affect the instrument itself that it was intended use, is the entry of foreign capital. It would be appropriate for governments to exercise some caution with respect to capital inflows, in order to promote a situation where the aggregate amount and composition are consistent with macroeconomic stability, with investment and growth based on international competitiveness. It would be appropriate for governments to exercise some caution with respect to capital inflows, in order to promote a situation where the aggregate amount and composition are consistent with macroeconomic stability, with investment and growth based on international competitiveness (CEPAL, 1998). For the institution, the degree to which foreign capital flows are functional to a productive transformation strategy with equity depends largely on the characteristics of the domestic financial markets which thus needs an institutional system that supplements this market, for the best use of these flows.

In the economic field, it was confirmed, in the 90s, the urgent need to correct the asymmetry of international integration of the region. It became aware of the importance of maintaining macroeconomic balances short-term and complements them with industry to support the transformation policies. In this conjuncture, productive transformation would require combinations of macroeconomic policies with sectors policies, short and long term, need also occur institutional changes in the search for new forms of interaction between the public official and the private agent.

Macro imbalances reached simultaneously and the production fiscal external beads. Its consequences manifested by foreign exchange shortages, hyperinflation and underutilization of installed capacity. Its macroeconomic strategy for recovery and growth involves three elements: the promotion of exports, a solid fiscal situation and the use of installed capacity idle. For development finance, it would from three main sources: External financing - that one should avoid macroeconomic policy to replace the effort of foreign for domestic savings savings. B) Savings from the public sector - looking for alleviating the effects of the fiscal adjustment by creating social programs, and the use of tax instruments to avoid the wasteful consumption of the economic elites, which would explain the insufficient national capacity to build, invest and encourage savings of individuals. C) Saving the private sector - incentives by creating compulsory compensation mechanisms.

Thus, the proposals were based on a readjustment of the tax policy, aiming to increase the public saving that can be used for investment. In trade and exchange policy, a greater openness of the economy as a means of inducing productivity increases and stimulating the adoption of technical progress (the rapid and persistent expansion of exports would be indispensable), a degree of openness due to the availability of foreign exchange and the search the harmonization of tariff protection policies for the exchange rate policy and export promotion policies. In the commercial relationship, complete and adapt the technical infrastructure in priority activities, but delayed; to promote a greater propensity to incorporate technical progress and innovation in the enterprises themselves by granting government incentives to existing enterprises to undertake innovative activities and to support the creation of new, high-tech enterprises for their development in a network of links between the research system and the rest of the technological infrastructure (CEPAL, 1997).

Conclusion

The transformations based on economic liberalism, in the 90s, for the countries of Latin America-were deep and significant. The idea was to avoid the technological isolation in the era of globalization productive. He thought of a strategy to increase exports via primary and via "niche markets" industrial with the debate in the long run and how to how it should define the state's position in contemporary settings.

Questions of technical progress and the distribution of income are recovered as central points of the thinking of CEPAL. In seeking to understand the requirements that the new international integration model is in terms of modernization of the productive apparatus and in terms of a restructuring of inadequate specialization of economies in the region, focus the analysis on trends and productive and distributive structures, with a view to building authentic competitiveness have.

The accumulation of formations in the region through changes that are caused by the redefinition of the regulatory framework, through the liberalization of markets and the state reform, gain analytical emphasis. The TPE, it must be obtained along with the improvement in the international integration of economies in the region. To improve quantitatively and qualitatively the integration of Latin American economies in the economic globalization process requires simultaneous progress and consistent in a set of policy areas (trade, exchange, productive and financial development) within the framework of a systemic approach. Recognizes that can have a positive influence on the growth process with the liberalizing reforms, provided that they are properly conducted. But the thought of CEPAL requires the recognition that

America is also justified a set of public policies to support the development, depending on the particular production structures and the organization of markets. It proposes that the objectives of growth and equity are attacked simultaneously and not sequentially.

In the field of public policy, greater understanding must be sought of the ongoing transformation processes, in order to create adequate support for these policies, with ample room for improvement. The new global scenario, along with the new experiences that occurred in Latin America in the 1990s, thus offers a vast field for research with the structuralist methodological approach.

Bibliographic reference

- [1] Batista Jr., PN 2000. The economy as it. Sao Paulo: 3ªed. Publisher Boitempo.
- [2] Belluzo, LGM. November 2005 / Apr. 2006. The transformation of the capitalist economy in the postwar period and the source of global imbalances. Magazine Economic Policy in Focus, no. 7 - Section 1.
- [3] Bielschowsky, R. Org. 2000. Fifty Years of Thought in ECLAC. Translation Vera Ribeiro. Volume I and II. Rio de Janeiro: Record.
- [4] -----, 2000. Brazilian Economic Thought: Ideological Cycle Development, 4th ed. Rio de Janeiro: Counterpoint.
- [5] CEPAL, March, 1990. Transformación productiva con fairness: La tarea del desarrollo priority for Latin America and the Caribbean en los años 90. Santiago de Chile.
- [6] CEPAL. 1994. El regionalismo abierto en America Latina y el Caribe. Thereeconomic integración al servicio de la transformacionproductiva con fairness, Santiago. UN Publications, pp. 9 to 19.
- [7] CEPAL. 1997. La breach of herfairness. LatinAmerica, theCaribbean Social y la Cumbre ., Chile Santiago. UN Publications, pages 13-20.
- [8] CEPAL. 1998. "Ingreso de capitales and policy implicaciones: recapitulation" in AmericaLatinay el: Policiesfor mejorar itsinsertionintotheworldconomy, 2nd edition, Santiago de Chile, Fondo de Cultura Economica, págs.427 to 437.
- [9] Ferraz, JC; CROCCO, M.ELIAS, LA (organizers). 2003. Economic liberalization and development: models, policies and restrictions. São Paulo: Futura.
- [10] FUSFELD. DR 2001. The Age of the Economist. Translation Fabio D. Waltenberg. São Paulo: Saraiva.
- [11] Moretto, CF; GIACCHINI. J. 2006. The Emergence of Development Theory to Sustainable Design: Old and New Approaches Towards Sustainable Development.Discussion paper No. 06, Passo Fundo, RS: Brazil.
- [12] PEREIRA, LCB2005. The ISEB and ECLAC: To the theory of dependence.Caio Navarro of Toledo, org. (2005). Intellectuals and Politics in Brazil: The experienced ISEB. Rio de Janeiro: Editora Revan: 201-232.
- [13] PREBISCH, R.1949. The economic development of Latin America and some of its principais.Escrito problems as introduction to introduction to economic Studio la Latin America, published in, Economic Bulletin of Latin America, vol. VII, no1, Santiago