

CONTRIBUTIONS AND OMISSIONS OF THE LATIN AMERICAN DEVELOPMENT THEORY. A RE-READING FROM POLITICAL ECONOMY

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ABSTRACT

In the context of recent discussions about the possibility of translating the growth of Latin American economies in the last decade into a process of structural change, we intend to discuss the theoretical capacity of studies of Latin American development to provide a concrete, viable and current proposal in that direction. To do this we will research 1) the theoretical relationship between the Political Economy of the late XVIII and XIX century with the postwar Latin American Development Economics; 2) the theoretical relationship between the new development economics emerged in the early seventies with its predecessor and 3) the keys that can offer the redevelopment of Political Economy to understand the main economic processes of the XX and XXI centuries and rescue theoretical aspects that were circumvented and must have a prominent place in any current explanation of the problems of development. From the redevelopment of the object of Political Economy we will pretend to rescue the main problems of short, medium and long term that we understand must integrate discussions central on the future of Latin American development.

KEY WORDS: Economic Development; Political Economy; Latin American Structuralism; Development Planning; Economic History.

INTRODUCTION

With the beginning of the new century, Latin American economies experienced a generalized economic dynamism that resulted in levels of year-on-year growth that exceeded those of developed economies and the concomitant achievement of improvements in social indicators (wage levels, inequality and poverty, to mention some of the most important). In this scenario, scholars of Latin American development embarked on empirical analysis that showed the various causes of this change of course as well as economic policy proposals aimed at how to translate that dynamism into a structural change.

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These analyzes and proposals gained even greater centrality and urgency in the heat of the last great global crisis -started in 2008-, when that picture of dynamism and prosperity began to fray: growth slowed and the sustained pace of social improvements was seen Seriously compromised. However, few were the finished answers offered to twist that direction, which gave way to a state of dissatisfaction with the explanations hitherto offered and the latent threat to the Latin American economies of heading towards a new lost opportunity.

In the present work we intend to discuss the theoretical capacity of Latin American development studies of the present to offer a concrete, viable and updated proposal of structural transformation of the Latin American economies.

We will try to show how the study of the development of Latin American economies today retains an inheritance of its predecessors (which formed the corpus of postwar Latin American development economics): the abandonment of the mission of fully understanding capitalism of the study of Political Economy) and its replacement by a partial object (the National Economy) addressed by no completely articulated notions embodied in empirical analysis of macroeconomic variables (including the impact of international shocks from the rest of the world). Although this abstraction managed to offer important contributions to address short- and medium-term economic problems, we will try to argue that today it is insufficient in the search for a strategy of structural transformation.

With that goal in mind, the first three sections of this text each try to answer a set of questions that guide our analysis. Namely:

1. What was the theoretical relationship between the aims of the Political Economy of the late eighteenth and nineteenth centuries with the post-war Latin American development economy? What were the advances and setbacks of the last in relation to the first?
2. What was the theoretical relationship between Development Economics after the 1970s and its postwar predecessor? What links exist between this relationship and those established in the first question?
3. What new keys can the redevelopment of the Political Economy offer us to understand the main economic processes of the XX and XXI century? What original contributions do we need to make about the economic dynamics that have been overlooked and which should be given a decidedly relevant place in any current explanation of development problems?

These questions will be answered through an analytical approach that seeks to articulate a set of problems that have generally been dealt with in isolation. We aim for this work to awaken other questions that require future studies that combine the empirical contrasting with the elaboration of the contributions of alternative approaches.

Our work, which contains a section devoted to the development of each of these questions respectively, will conclude with the fourth and last section, which will specify the main results of the research arising from the answer to these questions.

DEVELOPMENT

Political Economy and its Fragments. Its theoretical link with the Development Economy From the Political Economy to the National Economy

If something characterized the founding of Political Economy in the eighteenth century it was the bold and consistent attempt to formulate a general theory that contained a law that would govern the capitalist system understood as a whole. This attempt was inscribed within a philosophical medium, that is to say in a body of knowledge where the Political Economy was not understood as a completely separated discipline that had no relation with other fields of the science but, on the contrary, nourished reciprocally of these¹ (Levin, 1999).

With the progressive break-up of this process, Political Economy, already in the process of becoming autonomous, would coexist with the tension of not giving up the integral understanding of the capitalist system using the formulation of universal laws and, at the same time, explain economic phenomena and prescribe restricted policies to the national economies, which already in the nineteenth century were going through their modern process of conformation. Although some authors sought to develop the mediations between the two aspects (among which the Karl Marx effort, which we shall return to later), the general tendency was gradually to focus on the analysis of these, renouncing, disparaging or impoverishing the development of the general theory. What was known as the general theory, in fact, would begin to fragment incessantly. First, from the abandonment by the authors of the mid and late XIX of the study of capitalist production to concentrate on the formulation of general laws of a portion of this: the market. The exponents of this first cut were undoubtedly the authors who would later be recognized as marginalists. But later, that object would be decomposed into an even smaller one: the study of partial market equilibrium processes. The emblem of this second decomposition was Alfred Marshall, who even proclaimed the renunciation of the conventional name of science, which from Political Economy was simply called Economy (Marshall A., 1961). This new name would definitely be adopted by official science and its institutions in the course of the following century, condemning a divorce of the purposes of Political Economy (and hence of the cultivation of an integrated science) that would even be taken for the economist, for whom the general laws would gradually begin to be outside its field of interest and be only a matter of historiography.

This schematic exposition of the successive reductions of the object of the general theory of the Political Economy tries to put in a perspective different from what was known like Economics

¹. This picture was part of the historical process of the bourgeois revolution (with its origin in different European countries, especially France and England) which aimed to universally institute freedom, equality, fraternity, progress and science. This project of universality was becoming truncated as the revolutionary momentum was consummated and the phase of the history of capitalism that is conventionally known as industrial capitalism (Aldama et al., 2013).

throughout century XX and XXI in relation to the perspective drawn by authors that, implicit or explicitly, separated it from its own history. In this way, this new angle allows us to rethink the contributions and limitations of the work of one of the most referenced authors throughout the thirties and the second postwar period and, therefore, unavoidable reference of the first scholars of the Development Economy: JM Keynes. In the first place, it allows us to question the meaning and relevance of calling general theory a work such as the general theory of occupation, interest and money, which is devoted to analyzing a national economy based on aggregate accounting variables. Secondly, because it makes it possible to recognize that what Keynes and many economists of the twentieth century previously called general economic theory (and that Keynes attempts to integrate his work by taking it as a partial case of his general theory) was, in reality, a theory about a partial portion of the capitalist system. But, unlike the new general theory, it did not have as its axis the national economy but the system as a whole; In fact, Marshall refers to the national economy only in the fifth and final book of his extensive work.

Even with these questions, we recognize that Keynes's work condenses a set of shared perceptions from the beginning of the Great Depression to the end of the second postwar period, among which the idea that the capitalist system delivered to its general laws does not lead to a scenario of general progress but on the contrary to one of prolonged recessions². From there, the need arose to conceive of an economic policy that would be able to overcome these limitations and generate a scenario of exit from crisis and progress, but renouncing its general character and aiming to institute it in a national space (Keynes J. [1936] 1992). The reduction of the problem to its national dimension did not generate any discomfort at the time, where full autonomy in national economies seemed to reign supreme.

The birth of the Development Economy

These period perceptions portrayed with eloquence by Keynes permeated the coming of the Economy of the ensuing decades, which would not only be reduced once again to fragment into microeconomics and macroeconomics (each conceived initially as stylizations of Marshall's work and Keynes, respectively) but also in another set of sub-disciplines that would deal with various aspects of the empirical dynamics of the national economies.

Among these sub-disciplines stands out, for our purposes, the so-called Development Economy born around the second postwar period. The authors who inaugurated this discipline did not deny the reduction of the object of the Economy to the national economy definitively installed by Keynes but, impelled by the perception that the countries had dissimilar degrees of development that also seemed to be sharpened and perpetuated, the exacerbated rejection of the

². At that time, especially in the years following the crisis of the 1930s, the main indicator to account for this general impossibility of progress was the level of employment, given the unprecedented levels of unemployment prevailing and its permanence in time.

impossibility of conceiving a single general theory of the national economy. They argued, in fact, that the economy could no longer be talked about (Hirschman A.,1980) and focused on the so-called underdeveloped economies.

What for Keynes was reduced to the diagnosis on the causes and consequences of the recessions and the prescription of a group of macroeconomic policies which would be able to take out a national economy from that critical position, in the cases of the authors of the Development Economy, became a greater complexity task, while trying to condense the diagnosis in the causes and consequences of underdevelopment as the prefigure of a set of articulated short, mid and long term policies which could lead a national economy to give up its underdeveloped condition (Rosales .O., 1988). This activity of working together the diagnosis with the prescription was called development planification³.

The incorporation of the problem of development and the problem of planning (and their intended reciprocal relationship) enabled Development Economics to paint more vividly the Economics already detached from Political Economy. Even as we mentioned a few paragraphs ago, Development Economics declared itself to be against the Economy. But the rejection of economics by these authors focused on the objection to the doctrine of comparative advantages of international trade outlined by more than a century by Classical and Neoclassical authors and not to the basic economic fundamentals (and the respective general theories) that put those authors at stake. In other words, the authors of the Development Economics did not focus their studies on the general economic theories that combined in an articulated set to fundamental categories like price, value, money and capital but to argue that the classic doctrine of the international trade betrayed to reality, that is, it did not reflect the empirical dynamics of international trade, which was unfavorable to underdeveloped economies.

The work we have pointed out that was indeed claimed by the authors of the nascent Development Economy -that of Keynes- would not only be reflected in the jargon and the approach to basic phenomena of the studies of the Development Economy, but also, as we mentioned Previously, on the national cut and on the relevance assigned to policy prescriptions to reverse recurrent and persistent problems generated by economic dynamics. But these authors intertwined Keynes's footprint in an argument which, in order to capture the specificity of underdevelopment, borrowed contributions already constituted from other disciplines such as history, sociology, and political science (which made it recognized as a sub discipline not strictly economic) and, at the same time, adopted as the north of those bourgeois ideals of the XVIII as progress and democracy although instituted in a national territory⁴, based on a vision of capitalism marked by countries that had reached the developed condition and countries that had seen that possibility truncated. Even if

³. Such a stygnama was popularized the proposed soviet was dissipated, as from this project was blurred in its objectives in 1917 and becoming connected to a 'developist and capitalist' project (De Mattos, 1979).

⁴. In fact, some authors did not hesitate to highlight the need to establish a national bourgeoisie (Cardoso and Faletto, 1971).

the various authors of this discipline agreed or did not agree that the developed countries were the counter-people (those responsible) of the underdeveloped, it was by common agreement that national development (in short, reaching the standard of living, and with it, the status, physiognomy and idiosyncrasy of the developed countries) was a possibility that depended on the will of the underdeveloped nations themselves (Mallorquín, 1998).

The key to overcoming the underdeveloped was the industrialization presided over by the state. Economic independence was quantified not only by reversing their weak position in international trade but also by creating an articulated network of enterprises of different size, sector and nature that, in conjunction with general services provided by public institutions, would be in a position to constitute a fabric of national social cohesion that would resemble that of developed nations.

The Development Economy in the early 1970s

The end of the postwar period swept away its own ideology, in which the Development Economy had been registered. This outcome was part of the conclusion of a historical phase of capitalism that was generally neglected by official economic theory which, as we have previously portrayed, fell into a state of fragmentation and focused mainly on the study of national economies in the interest of betting to gain prescriptive character. In fact, the aspects that conformed this ideology were, in short, those that allowed the national economy to be conceived as an object of study in itself, autonomous and capable of distorting its own destiny through the articulated conjugation of development policies, or in other words through the development of planning capacity by the network of public institutions summarized in the figure of the national State.

This capacity of state planning was decisively losing specific weight as the result of the postwar period. This process was related to the imposing installation of gigantic planning subsystems, presided over and structured by private capital enterprises, which, through the constant and unprecedented renewal of their technological capacity, re-engineered, administrated, managed and organized all the productive techniques (adopted and developed by another set of enterprises subordinated to these expanded throughout the world) (Levin P., 1997). This scenario posed a dilemma for Development Economics which could no longer use the idea of state planning under which it was born, not even from the same international context (industrialized central countries and peripheral countries preeminently primary and in the process of late industrialization) or the appearance of the autonomy of the countries.

This dilemma was solved by following its own logic that is, maintaining the national economy as a unit of analysis with an internal dynamics that can be altered by impacts of the renewed international scenario (taken as a fact and not as an integral and relevant part to be understood to address the problem of development). But the preservation of the national economy as a unit of analysis did not mean the survival of the idea of the relevance and necessity of state planning for

national economic development. On the contrary, the key to national development would be for these studies increasingly coded as a new opportunity for developing countries: to insert themselves beneficially into privately-owned systems of global scale (Gereffi G. (2001), Gereffi G. et al. (2005), Morero H. (2010)). The star concept would become the one of innovation and the mirror to follow were those nations that had begun to embark on that company like Japan and especially the countries of Southeast Asia (Katz J. and Kosacoff B. (1998), ECLAC (2010), Pérez C. (2010)).

In this context, alongside the ineffectiveness of post-war planning policies Keynesian policies lost weight. But not abandoning Keynes abandoned the macroeconomic approach to national economic phenomena. That is to say, the analysis orchestrated by aggregate national accounting variables continued, in which case the alleged innocuousness of expansive macroeconomic policies was alleged to have distorted the course of a global market dynamics⁵ (Such as the Mundell-Fleming model for open economies, and the recognized prestige of Milton Friedman's new macroeconomic formulations).

Development Economics became embedded in this policy prescription table argued for by macroeconomic variables but, as part of the perception that the economic dynamics were not reduced to the national economy and that it was gaining weight to understand the process of innovation organized by private capital enterprises, it added to its analysis categories and explanations brought from microeconomics (and a related sub discipline, industrial organization), which meant becoming related with it, imbibing a neoclassical flavor. The micro economy then served by Development Economics, while maintaining a large part of its original matrix, was incorporating in its analysis a set of notions that, it was said, aimed to make its basic assumptions, such as market failures, more realistic. I.e., the presence of increasing returns in the production of some goods, learning processes and interactions between firms and the result of this table is imperfect competition. The microeconomic approach fits perfectly for the successive empirical studies that are increasingly limited in their general theoretical scope (Pinazo G. and Piqué P., 2011). That is to say, at the same time that the empirical analyzes of the processes of innovation of the enterprises and of the genesis and dynamics of the spectacular technological advances proliferated (whether of a determined zone, country, region, continent or world, understood only as analytical cuts) studies that contributed to the understanding and general formulation of a development strategy disappeared from the scene. It was precisely because the new social scene of rapidly unrecorded transformations brought about a set of unresolved social problems and demands that would assign an urgent character to the formulation of elaborated and articulated plans, that could be translated into a scenario of general progress, and not as, in the present times, in a devastatingly partial one. This situation put at a crossroads the official economic theory,

⁵. We say, presumably, that the corrections of the macroeconomic model were finally made to justify this change in policies.

objected in varied official academic circles with remarkable and great vehemence since the crisis of 2008.

The solution, in our view, cannot be limited to the objection or the melancholy of old contributions. But it is to undertake again the original objectives of the Political Economy through the transformative activation of unfinished and forgotten contributions of the history of economic theory that can nourish sense, direction and strategy to our present.

The Latin American Development Economy and its mutations following the changes that took place in the early 1970s

At the time of the world crisis of 1929, which would set the context for the emergence and permanence of Keynes's work, the Latin American region was in the same or worse conditions than the industrial world. The economic policies and the diagnosis on which the agro export model was based began to lose interest and new contributions would begin to show a different theoretical path that would eventually give rise to the proposal of the Economic Commission for Latin America and the Caribbean (ECLAC). Following Bielschowsky R. (2009), the initial diagnosis of this approach was that:

"The socio-economic structure of the region had the following characteristics: (i) specialization in primary sector goods and low production diversity (intersectional complementarity and reduced vertical integration); (ii) very disparate levels of sector productivity and unlimited supply of near-subsistence labor; and (iii) institutional structure (State, agricultural sector and business composition, among others) with little investment and technical progress" (p. 175).

At first glance, we can already see how in all three the ECLAC intellectual effort involved a profound reformulation of concepts and theories that neoclassical economists used to analyze the economies of the central countries. In this context, we are interested in highlighting several particular contributions that will be extremely useful in our reconstruction.

In the first place, we must emphasize the Prebisch-Singer Thesis. This point of view regarding the worsening of the terms of trade of commodity-producing countries was the main criticism against the neoclassical view of international trade (Prebisch R. [1949] 1986). Hence the idea that industrialization was the only viable way to escape specialization in primary goods in order to avoid the impoverishment generated by the international division of classical labor. In this way, we find the need to consider specific industrial development policies (particularly for the manufacturing sector). In this need there is also the germ of the concept of economic development as something other than mere growth, so that the social, political and historical dimension begins to gain explicit weight. Also, in clear relation to the Keynesian approach, the national State is conceived as an agent capable of guiding the economic course to promote and constitute a scenario of development in the national horizon.

Second, unlike neoclassical approaches where knowledge is perfect and therefore the forms

of production are identical for all enterprises, the ECLAC proposal is one of the first to attach importance to the conditions of production on the road to development. In this regard, the structuralism authors noticed an uneven distribution of the benefits of technical progress on an international scale, which placed Latin American economies at a disadvantage relative to the technological capacity of the economies of the center (Prebisch R. [1949] 1986). This situation was an unavoidable warning to understand the challenges involved in entering into a late industrialization. In turn, although with less emphasis, these authors warned the limits for the prolongation and progress of an industrialization process if it were carried out on a low scale and not regionally integrated (Prebisch R., [1949] 1986; Lipietz A., 1992).

Third, the relevance of the primary sector in the production and generation of surplus in general and of currencies in particular, stands out as a regional characteristic. From the recognition of the favorable conditions of production in the region and their high competitiveness in the world market, these sectors would be the starting point that would allow the accumulation of capital and the acquisition of techniques abroad, as well as generating domestic demand to sustain growth. Hence the call to not deteriorate its functioning in the interests of industrializing economies (Braun and Joy 1968, Diamand M. 1972).

Fourthly, regarding the ways in which this development process is financed, ECLAC proposes two relevant contributions. First, the important consequences that the distribution of income has for industrialization. Here, the concentration of income dwarfs the magnitude of the social demand for the industrial goods of the workers -which hampers the internal development of enterprises on an international scale- but, on the other, it implies patterns of consumption linked to the developed countries which, given their greater imported component, further restrict the capacity to finance that process (Nurkse R., 1952).

From these contributions, economic theory is deeply enriched; and also generate new conceptual tools to analyze the economies of the region.

After this fruitful period in relation to ideas for development, a new reformulation of development theory will begin, linked to the next great global crisis in the 1970s, in line with the changes that we raised in the previous section in the Economy. In the region this was linked to the fact that, by that time, much of the region had implemented the ECLAC proposals and the economic problems of underdevelopment continued. By that time, the economic and industrial dynamism of the region -with the exception of Brazil- had been lost and economies were constantly entering critical cycles without escaping the chronic absence of foreign exchange or definitively solving their social problems. This led to a profound rethinking of Latin American structuralism, which was criticized from the mainstream -like Keynesianism with which it was born- and by Marxism -for lack of results- (Palma G. (1978), Guillén Romo H (2007), Nahón et al (2006)).

Neo structuralism, in its rethinking, shows the same steps as in the general picture of economics: a more marked departure from the general tendencies of capitalism. This is

compounded by a decline in the recognition of the specificities of the region, which leads the Latin American Development Economy to gradually lose its Latin American traits. In the words of Sztulwark (2005):

"The new structuralism substantially modified the way technological progress was conceived. On the one hand, the traditional concern about the appropriation of the fruits of technological progress was displaced by the analysis of the determinants of the same progress. On the other, and closely associated with the previous point, the new focus of attention is convergent with alternative theories that were developed in the 1980s in the central countries, which account for the crisis of the idea of competitiveness as a phenomenon of Exclusively macroeconomic and sectorial nature and determined by the static comparative advantages related to the factorial endowment" (p. 105-106).

"Instead, these macro and sectorial factors are added to others such as the actions of the agents and the economic environment in which they operate which, in turn, corresponds to the idea of rating competitive advantages, which involve economic, technological and institutional factors. To a large extent, the new Latin American structuralism incorporates these theoretical developments and makes them their own, merging into a program of work in which the Latin American feature is much more difficult to distinguish" (Sztulwark, 2005, p. 106).

In this new combination, Latin American development theory takes ideas from the contemporary mainstream. First, it views trade and financial liberalization as a policy decision that contributes to development, as long as it is not excessive. Secondly, in assessing that state intervention, although necessary to control markets, loses its role of planner and executor of the development process. Third, considering macroeconomic stability as a higher order objective than accelerated growth. In this sense, ECLAC in the 1990s is again strongly linked to the mainstream, only now it is recognized -mainly by its detractors- as Neoliberalism.

With this picture in mind, we mean the change in the orientation of suggested policies. While in its original proposal ECLAC was a proposal highly contrary to liberalism, from this decade the difference becomes one of degrees and not qualitative. Both criticize the process of Industrialization by Substitution of Importations (ISI) in function of the lack of economic results in the economies of the region. As Bielschowsky (2009) points out:

"From 1990, the institution then relaxed the concept of development policies that had accompanied classical structuralism in the previous four decades. But at the same time that it admits the inevitability of changing the regulatory framework, it analyzes critically the reforms, pointing out both its merits and its errors and shortcomings. The need to review the participation of the State in economic life and the instruments and mechanisms of intervention is recognized, but a key role is still given to its contribution to the socio-economic development agenda in the financial, productive, social and environmental fields" (p. 197).

Faced with this general plan of policies to be applied, it also incorporates other elements of heterodox currents, mainly evolutionism and institutionalism. In this interrelationship, the role of innovation and, in pursuit of it, institutions gain in relevance particularly in recognition of the new forms of competition on a global scale. In this sense, as mentioned in the previous section, it was no longer a question of developing Latin American economies in such a way as to achieve a self-

centered growth, similar to that recognized by ECLAC in the central countries, but to seek the most kind insertion in the accumulation schemes of enterprises in the central countries (ECLAC (2008), Arza V. and López A. (2008), Bianco et al (2008), Bisang R. and Gutman G. (2005)). To this end, technological capabilities had to be developed to break the links where the competition of the new industrial countries linked to low wages was unsustainable.

What ECLAC originally posed as a national way out of underdevelopment -a key to Keynesian oblivion of the global unity of capitalism- was now taking a similar step: it is no longer even the state that conducts such a process. This can only facilitate the successful insertion in chains commanded by foreign enterprises. Thus, from the objective of restricting the objectives of the Political Economy to circumscribe the world of the economist to the analysis of the national economy, a new fragmentation was reached by reducing that world to understand how a link in the production of some particular commodity is planned. The audacity but also the theoretical power of this latest version would become increasingly insufficient.

Latin American development processes in the light of the development of the Political Economy

Basics of Political Economy

Let us now return to these contributions and seek their link with the forgetfulness of the Economy. Let us begin with one of its main points: the proposal to plan development through the industrialization of economies as a way of escaping the perverse logic of the declining trend of international prices. To what extent is it true that the general trend of prices is that? Clearly, since today, ECLAC has transformed a merely conjectural process into general dynamics through a theoretical development. For this, it was based on a certain theory of value: that of costs of neoclassical production, which Keynes also maintains. Synthetically, the determination runs from the income of classes (from workers and entrepreneurs in the center and the periphery) to prices (Prebisch R., [1949] 1986)⁶.

Here is a problem, since the determination of prices by production costs is not in itself an explanation for its circularity (what determines prices of the factors that determine prices?). Given this, we should develop the theory of the value of Classic Political Economy in order to find a scientific basis for the determination of prices. There, as is known, the magnitude of value arises from labor, and what happens to the incomes of the different classes, which have their own determinations, implies different distributions of such value, but not a movement of the same prices. As a result, this downward trend in international prices requires at least one other explanation. And still more, as we also see from today, hardly the general tendency is in that sense; rather we would say that it has had marked oscillations and even, in recent years, a long-

⁶. Some discussions on the theoretical basis of Prebisch, are deepened in Kodric and Graña (2011).

term upward trend (both oil and other raw materials).

But the problem created by the theory of value does not end there. Given the relevance of non-reproducible natural conditions in primary production, it can be argued that the totality of such productions in Latin America are among the most productive in the world. In this sense, even in the case of the reduction of prices, these economies receive an extraordinary income: the income of the land. This income, as pointed out by Classical Political Economy, arises from the need to pay for these products in terms of the worst land needed assuring these enterprises the average profit rate-, generating an extraordinary surplus for the best (Ricardo D., 1817] 1995, Marx C., [1867] 2002).

Now, if we continue to analyze the income, we can insert ourselves in another way in the discussion about saving and consumption. If this is an extraordinary surplus of the economies not linked to the accumulation needs of the agrarian capitalists, it can be destined entirely to the accumulation in the hands of third parties through a process of redistribution. By how land ownership is distributed, land usually ends up in the hands of landowners who concentrate high income and, in their renter character, do not invest but consume sumptuary goods. That is, the surplus received -even in a context of low prices- is wasted⁷.

Let us turn now to the conditions of production and industrialization. Despite what we have pointed out regarding alerts on the scale of production and markets, ECLAC rarely focused its analysis on conditions of competition or forms of production. In this sense, what capacity did the countries of the region have to build capitals that operate in the current productive conditions in the central countries and succeed in competition? What was the capacity of the domestic markets of the countries to accommodate the production of these enterprises? And even more, what does that competitive capacity depend on and how do they obtain it?

These unanswered questions led to the industrialization of Latin America facing problems and criticisms. Without recognizing them, starting from the seventies, the need to innovate as a means of guaranteeing success in the competition begins to take hold. Again, the first question is why this need is now central and not before, is it that the region had not been told or there would have been a change in the forms of competition at the global level? In this context, why is innovation relevant and raises the capacity for valorization? Where would enterprises arise from this possibility of innovation? Which ones have that capacity?

In order to respond to all these questions and questions, we must embark on a new path that will continue the development of Political Economy to incorporate the contributions of Development Theory. In that framework they will be completely powerful to transform the Latin American reality.

7. From this point of view, the proposal for an agrarian reform, as various development economists have put it, would also be justified.

The central role of understanding the process of global capital accumulation

If we recapitulate the work in the preceding section, we will find what we believe is the key to the problem: development theory has no more than glimpses about the dynamics of the system as a whole. Therefore it has no way of fully understanding the opportunities and risks of each stage, nor why the proposals of one moment lose their validity in another.

With the crisis of 2008, the question landscape opens up again, what happened to get to that episode? Was the situation taken advantage of and structurally transformed to the economies of the region knowing that this cycle would eventually conclude? More generally, how is it that within the framework of the cycle that world unity is transforming itself? In those structurally diverse stages, what are the roles assigned to individual capitals and countries in that international division? And how were they transformed?

For all this, it is necessary to recover the objective of the Political Economy and advance in its development to account for these general movements and then to analyze the trends and characteristics of the Latin American national economies. Thus, the development of a theory of value, distribution, and competence becomes a key task for this purpose, since the unity of capitalism -which is absent in development studies- limits and forces contradictions on theory Of development that specializes in countries as if they were the only actors with no more connection between them than trade and capital flows.

Let us try in this section to reconstruct the general laws of capitalism, how they have operated through the evolution of the world economy and how the contributions of Latin American development theory are inserted in such a future.

From Political Economy the first thing that we face is the world unity of capitalism as a form of social organization, as it is structured on the indirect relation of the producers of goods mediated by their products. Now, capitalism as a system does not appear directly as such but as a set of nations that interrelate with each other as fragments of the total work of society (Marx, 1867, 2002, Iñigo Carrera J., 2008).

First of all, this implies that the set of laws of movement of capitalism are not generated at the national level but on a global scale and then take national form. Specifically, for the purposes of this paper, what we are interested to point out is that the value of goods, forms of production and conditions of competition are the result of capitalism as a whole and that gives the framework to relations between countries. That is, a starting point that we understand has a greater potential than that proposed by Keynesian and Development economics. However, this global determination of contents does not imply that it has manifested itself directly as such throughout the history of capitalism. On the contrary, it has been the development of capitalism that is effectively provoking, through the different stages of the so-called Globalization. But what determines the dynamics of capital accumulation? And through what mechanisms does it operate?

The dynamics of capitalism are embodied in enterprises. In this sense, their pursuit of

extraordinary profits forces them to innovate technically and organizationally and to develop new products. The result of this process involves a technological transformation that modifies the forms of production, the size of the enterprises and determines which ones continue to be concentrated and which ones should be withdrawn from the market.

Like everything, this process has a cyclical nature based on two processes. First, in its technical basis, innovations can have a radical or incremental character which will cause different speeds in the accumulation. Second, given the private form of production, firms in competition tend to produce as if there is no limit on the capacity of realization of these goods which cause recurrent crises of overproduction. Together, they both determine the great cycles of the capitalist economy. Consequently, these cycles are usually synthesized in a set of typical features linked to these different spheres: the sector of activity that leads the type of company that drives innovation, forms of production and management of the workforce, etc. Finally, the geographic distribution of the capitals that fulfill the different roles in that process, determines the speed of growth and its consequences in each country and capitalism as a whole⁸.

From the first essays with the assembly line, during the 1910s to the 1970s, capital accumulation in industrial countries was based on the organization of the production process under Fordism precepts which, as a general rule, attempt to increase the productive scale for the full use of the economies that the technology allowed, deepening to the maximum the division of labor inside the factory. This form of production was applied in an associated manner, in labor matters, with a significant improvement in wages; Linked to the increase in work intensity, which leads to an increase in wear and, therefore, consumption needs (Coriat B., 2008). On the whole, it is commonly held that Fordism succeeded in combining a high dynamics in production -and particularly in productivity- with a homogeneous solvent demand growing at the pace necessary to realize that expanded mass of undifferentiated commodities. In this sense, the universalization of social security systems, public transfer programs and direct investment by the State also played an important role, generating high levels of employment that gave trade unions the capacity to make demands, the re impulsion of that cycle. (Aglietta M., 1976).

However, during those decades, despite the fact that the leading enterprises in each sector became global referents, because of the technological impossibility of managing and planning a production process on a world scale, each one tended to supply the different Domestic markets of the countries through the local installation of productive plants (Kicillof and Nahón, 2009). It is in this context that the opportunity arises to manage the development process of a country as if it were autonomous and that context allowed the Latin American region to face a process of substitution industrialization managed by its national States. But this possibility does not present

⁸. In this sense we can point out four major stages of capitalism in its productive aspect: 1) its emergence, 2) manufacturing period, 3) Fordism-Taylorism and 4) Toyotism. On the sectors side, the same periods will be the first industrial revolution, the second, the automotive era and that of computers. And so on.

itself without problems, it comes from the hand of a set of productive and consumption patterns that will generate contradictions for the region, and that we will analyze in the next section.

Already in the seventies, however, it seems that the network begins to experience increasing difficulties. The productivity begins to slow down, which makes it difficult to maintain the wage increase guidelines, reducing profits. This was due, as we have pointed out, to a series of factors that find their starting point in a crisis of overproduction as a whole and an exhaustion of the technical basis of Fordism (Fajnzylber F., 1983; Coriat B., 2008). In this context, leading enterprises begin to experience forms of internal organization outside of Fordism.

In this process of organizational innovation, the main objectives were linked to reducing the costs associated with a rigid productive structure -which at that time was experiencing a large idle capacity- and to resume the pace of productivity growth. The very crisis of valorization opens the way to face such reforms by disciplining workers through unemployment, which, after several decades, reappears with a relevant magnitude.

However, the main role in this productive transformation was played by the contemporary appearance of a set of technological developments: telecommunications and robotization. The telecommunications revolution allowed the relocation of production processes, reducing their complexity and costs (Fröbel et al., 1980). This factor allowed enterprises to send the different portions of the production process to those places where it was more economical. Obviously, for the production of simple manufactures in long series the simplification of production jobs, already achieved during Fordism, would conjugate excellently well with the existence of countries with large masses of population of very reduced wages to enter the industry. In this way, the more disqualified portions of the labor force of the countries, up till then industrialized, tended to be expelled from production (Fröbel et al., 1980).

Robotics and automation, for their part, enable enterprises to leapfrog the productivity of the most complex workforce in industrialized countries, reducing the costs of short series of products by reducing the time to adapt manufacturing to different products. Together, these new technologies allow us to boost subcontracting and plan the overall production process despite being carried out in several different enterprises, reducing costs associated with smaller scale productions. In that process, smaller enterprises were particularly involved, discharging in them an important part of the high costs in inventories -raw materials and products- that mass production generates. Thus the larger firms enjoyed another path to profit (Piore and Sabel 1984, Chandler A. 1994).

Clearly, this set of strategies made it possible to reinvigorate productivity and benefits (particularly through the reduction of wage costs), but it obviously disrupted all industrial relations.

Thus, starting from this crisis, a new stage in the accumulation of capital begins, where the very structure of the international division of labor is transformed, breaking the previous separation between industrial countries and suppliers of raw materials (Fröbel et al., 1980). At the same time,

as the factories that attract workers to other countries are the deteriorating working conditions of workers -or the lower environmental standards, etc.-, obviously the consequences of this stage will be different from the previous one. In other words, the so-called globalization is actually structured around the exacerbation and exploitation by firms of national differences in labor and wage conditions (Gordon et al. [1982] 1986, Iñigo Carrera J., 2004).

It is in this new context that enterprises from developed countries maintain the most complex stages of their production processes in their countries of origin and send abroad the simplest. There certain countries begin to participate actively in the world market taking advantage of the high surplus population that they own and the reduced salaries that prevailed within. Based on this, they become export platforms for simple products or components (Piore and Sabel, 1984). That is, the birth of global value chains (Gereffi et al, 1994, Ernst D., 1997).

However, this new context does not open possibilities for all; some will even close existing ones, as in Latin America and its ISI that becomes unsustainable against the competition of countries with many lower wages.

In turn, this pattern of growth leads to a crisis in 2008, linked to the geographical separation between where the generality of manufacturing (and very low wages) and where it occurs; the so-called global imbalances (Eichengreen B., 2009). On the other hand, industrialization processes in Southeast Asian countries led to an increase in the prices of raw materials that allowed exporting regions to improve their indicators.

Beyond these processes, it is clear that in this new framework it is no longer even possible, as it seemed to be at the previous stage, to conceive development strategies centered on national conditions as they were conceived in the postwar period.

The relationship between the accumulation of world capital and that of Latin American countries

How do we reinterpret the evolution of Latin American development theory within the framework of this general and historical development of capitalism in the XX century? After the crisis of 1929, the countries of the Latin American region faced processes of industrialization with characteristics similar to each other, but quite unique in an international perspective.

Within a stage of capitalism where production was located alongside its realization, countries could effectively determine their national policy. In this context, they went through processes of redistribution of the income of natural resources to create an internal market that realized the goods that the growing industrial sector offered. The divergences in the successes of such experiences are related to the natural resource available, the magnitude of the income generated and the forms of appropriation applied⁹.

⁹. For example, the productivity of agricultural labor applied in Argentina to Brazil is not indifferent; nor the possibility of concentrating the income in a state-owned oil company (PDVSA style) in front of the multiplicity

For these processes, what began to play a relevant role in the scope of the industrialization process and its complexity was the scale of the domestic markets. Three factors were involved: a small population with low growth rates (except perhaps Brazil and Mexico), an average of reduced income and a very high inequality of distribution. The impact of the size of the domestic market is significant because it allows or prevents the formation of national enterprises of sufficient scale to enter the world market. Contrary to this, differences in national experiences also occurred: Argentina achieved greater distributive equality to expand the domestic market with homogeneous goods for workers, while Brazil -given its population- maintained a concentration of income generated by an internal market linked to the upper classes.

These structural characteristics largely determined the results. At that stage, innovation was not central, since industrialization took place in well-known sectors with easy access to the world market, making productive efficiency the key to competitiveness (Amsden A., 1992). These limitations generated a very dependent industrial sector -beyond its birth- of the redistribution of the income of natural resources.

Reviewing the ECLAC contributions, this set of factors -such as the relevance of natural resource rent, industrialization, regional markets and the redistribution of incomes- are present but relatively disconnected from each other and, in particular, unrelated of the stage of capitalism at the global level that gave them body.

However, with the changes in the world economy, the geographical dissociation between production and realization and the emergence of low-wage industrial countries, the region could not continue on the same path. It did not have enough resources to sustain its autarchic industrialization as competition conditions became increasingly difficult. It is in this context that innovation becomes relevant as a way of competing in the global market without requiring low wages - which were much lower in Southeast Asia given the ISI successes. However, regional enterprises could hardly deal with these processes because they did not have the necessary financial or productive conditions.

This difficult context explains the emergence of both the commercial and financial opening proposals, given the impossibility of sustaining the ISI, and of insertion in the chains commanded by extra-regional enterprises -given the regional productive and technological backwardness. That is, development theory must be almost completely reformulated because the context has changed but again it cannot link those features to each other, or to the earlier stage of its own theory to which it opposes in a first reading.

As from today, we would say that the structural conditions of the economies of the region continue to be broadly diagnosed by ECLAC: small economies with low productivity, high inequality and abundant natural resources. The objective also continues to be the same, to achieve the

of landowners.

improvement of the living conditions of the population. What changed and will continue to change is the context and strategies that emerge from it, just what the absence of a general theory of capitalism does not allow us to see; Lack of that if we do not solve it will force us to continue walking blindly.

CONCLUSION

In the present work, we proposed, based on a set of guiding questions presented initially, to articulate an understanding of the limitations of the current studies of Latin American development to offer an updated, viable and concrete proposal of qualitative transformation of the living conditions of the population.

First, we study the relationship between post-war Political Economy and Development Economics. In this study we discovered the abandonment of the object of study of the first (the capitalist economy as a whole) and the pre-eminence of national analysis centered with a macroeconomic perspective.

Second, we analyze the unity and difference between postwar development studies and those born to the heat of the great changes of the capitalist economy that have taken place since the beginning of the 1970s. Here we argue that the new Development Economy Preserved the national and macroeconomic gaze of its predecessor and complemented it with new notions arising from evolutionism and microeconomics, giving rise to a political conception less progressive than that of the postwar period.

Third, we review the contributions and limitations of the Development Economy, both in its postwar phase and as from the 1970s. In order to do this, we have developed the importance of understanding the different historical phases of the technical basis of capital accumulation, as well as the increasing difficulty of Latin American economies, based on pre-eminently exporting goods with agricultural income and low productivity national production, Changes we believe that this discovery must become a central axis in the conception of a long-term development program.

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Please refer to articles in Spanish Bibliography.

BIBLIOGRAPHICAL ABSTRACT

Please refer to articles Spanish Biographical abstract.