A Comparison of Four Development Models in Latin America

CHRIS VAN DER BORGH

There appears to be a growing consensus on the desired direction of development processes in Latin America. Most development models nowadays stress the importance of economic growth together with programmes of poverty alleviation, a reduced role for the state, insertion in the world economy and participation and empowerment of the people. This article discusses four contemporary development models (sets of ideas and recommendations on development strategies) in Latin America, organised around the points mentioned.

The models analysed differ in size, focus and importance. Neo-liberalism is the dominant approach and important protagonists, such as the International Monetary Fund (IMF) and the World Bank have the power to implement their proposals. Neo-structuralism and Human Development are less influential and arise from an analysis and critique of development processes made by a thinktank (the Economic Commission for Latin America and the Caribbean, ECLAC) and by the United Nations Development Programme (UNDP) respectively. The fourth model, labelled 'alternative development', consists of the reflections of three authors on initiatives at grassroots level. Making comparisons has its problematic side. Alternative development differs from the other approaches, being situated at the micro level and not being backed by an influential institution. Neither should the models be seen in isolation from each other as they have influenced each other, thereby making their proposals much more similar. Yet it is still possible to compare models, to probe behind their apparent convergence and reveal the underlying differences between them, as well as points which have been left out of their analysis.

I. DEVELOPMENT MODELS

Neo-liberal Approaches of the World Bank and the IDB

Neo-liberalism, as propagated by the World Bank and the Inter-American Development Bank (IDB), strongly criticised the distorted working of the market mechanism and the failed economic policies adopted in Latin America.

Chris van der Borgh, Faculty of Social Sciences, Utrecht University. The author wishes to thank Cristóbal Kay and Björn Hettne for their comments on earlier drafts of this contribution.

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When the world economic recession and the financial problems of many Latin American countries no longer appeared to be temporary, the role of the multilateral banks grew in importance, being the only financial institutions debtors could turn to.[1]

The neo-liberal approach to development became dominant in the 1980s. The IMF, World Bank and IDB share similar assumptions regarding development, referred to as the Washington Consensus, which consists of three sets of policies: macroeconomic policy reforms, reform of the trade regime and policies to encourage private sector development [*IDB, 1993b*]. To these factors can be added the outward orientation and hemispheric integration, public sector reform and human resource development [*Nacla, 1993*]. Recently, concerns for poverty alleviation and other social concerns in general have been integrated.

The IMF and World Bank have been criticised for not solving, if not aggravating, the crisis in Latin America. One of the main criticisms has been the lack of responsibility for the social consequences of their policies. It seems that international financial institutions now want to (or have to) face the so-called 'social debt' caused by the drastic cuts in public expenditure and negative growth rates of the 1980s. Over the past few years more attention has been paid to human resources, infrastructure and poverty alleviation. The idea that markets cannot do everything and that the state has an important task, especially in the fields of health and education, has arisen from critiques of the Bank's policies by institutions such as UNICEF and the UNDP.[2] The Inter-American Development Bank in particular has recently started to revise its social policy. A new programme, called the Social Agenda Policy Group, was launched in early 1993. This group acknowledges the necessity of 'incorporat(ing) new elements beyond the so-called Washington Consensus'. It stresses the need for innovation processes as a centrepiece of development policies, as well as socio-economic reform. IDB states that the idea that you must 'first obtain economic growth and (then) everything else will follow' is no longer valid and 'a balanced and integrated set of economic, financial and social policies' should be defined [*Emmerij, 1993: 2*]. The Group also argues that simply adding poverty analysis on to pre-existing analyses of growth strategies is not enough.[3]

The proposed policy measures of the IDB involve, amongst others, the announcement of a new lending window, the so-called Socio-Economic Development Fund, whose main instruments are country-specific Growth and Poverty Assessments (GPAs) and Socio-Economic Action Programmes (SEAPs). It is, however, questionable whether the changes in IDB proposals will lead to a form of development that combines the objectives of economic growth and social equity.[4]

There is also increased interest in social policies and poverty reduction at

the World Bank. Its 1993 Report stated that 'poverty reduction must be the benchmark against which [the Bank's] performance as a development institution is judged'. The same report mentions that the share of adjustment lending that addresses social issues climbed from five per cent in the fiscal years 1984–86 to 50 per cent in the fiscal years 1990–92. The extent of this increased interest in social aspects will be discussed further below.

Neo-structural Approaches: ECLAC and Development from Within

ECLAC, the Economic Commission for Latin America and the Caribbean, was founded as a UN agency in February 1948. The international division of labour in particular was heavily attacked by ECLAC. This attack was largely based on Raúl Prebisch's work on the deterioration of the terms of trade in Latin America and on Hans Singer's writings on the falling price of food and raw materials in developing countries (leading to the Prebisch-Singer thesis). Although ECLAC's writings have exerted an important influence on subsequent theories of underdevelopment (the so-called 'dependencia' school), the Commission was quite traditional in its approach and displayed great optimism about ending underdevelopment [*Kay, 1989, Ch.2; Blomström and Hettne, 1988, Ch.2; Love, 1987*].

In the 1950s and 1960s the idea that import substitution industrialisation could reduce the external vulnerability of Latin America formed a very important part of ECLAC's *structuralism*.[5] Precisely because of the unfavourable international terms of trade, protection was needed to stimulate a process of industrialisation. The role of government planning in this process was considered to be very important, as the spontaneous interplay of market forces was mistrusted.

In the 1970s structuralist thought appeared to have its weak points. Structuralism was basically concerned with long-term policies and failed to specify short-term economic policy instruments, the importance of financial and monetary questions and operated with a rather idealised notion of state intervention.[6] It was on these points that structuralist thinking was challenged by neo-liberalism, particularly in the second half of the 1970s and during the 1980s. In response, structuralism increasingly focused on short- term problems and policies (an example of this being the so-called heterodox adjustment packages) and, although this may have been a 'natural reaction' to 'orthodox' stabilisation packages, longer-term development strategies lost importance in ECLAC thinking [*Lustig, 1991; 1993*].

Neo-structuralism can be viewed as an 'updated structuralism' that seeks a (long-term) development strategy to tackle contemporary Latin American problems and at the same time to provide an alternative to short-term neo-liberal policies. Neo-structuralism thus combines the so-called 'post-World War II structuralist heritage' with the short-term answers it provided in the

1980s. The link between short-term and long-term instruments has led to a renovated strategy, termed by Osvaldo Sunkel as 'development from within' [*Ramos and Sunkel, 1993; Rosales, 1988, Ffrench-Davis, 1988*].[7] The series of reports published by ECLAC in which Latin American development is analysed and recommendations for the 1990s are made, are a clear exponent of this new neo-stucturalist approach. The publications focus on such different themes as the environment, human resources or economic and social policies but are connected to each other by their common concern to 'change production patterns with social equity'.

'The transformation of the productive structures of the region in a context of progressively greater social equity' is, according to ECLAC, the primary and common task of Latin American and Caribbean development in the 1990s.

> Such a process is intended to create new sources of dynamism which will, in turn, make it possible to achieve some of the objectives inherent in a contemporary conception of development: growth, improvement of income distribution, consolidation of the democratization process, greater autonomy, establishment of conditions which will halt the deterioration of the environment, and improvement of the quality of life of the entire population [*ECLAC, 1990: 10*].

Key elements of ECLAC's proposal are the support for 'genuine competitiveness', the strengthening of productive linkages, better interaction between public and private agents, as well as regional integration [*ECLAC, 1990*].

Human Development: UNDP

In 1990 the first Human Development Report of the United Nations Development Programme (UNDP) appeared. It opened with the words 'this report is about people – and about how development enlarges their choices', clearly underscoring the 'people-oriented' ambition that characterises this and subsequent reports. The annual reports of the UNDP address different themes; the 1993 report paid special attention to popular participation and relations between the public and private sectors; the 1992 report examined the economic prospects of developing countries in the world economy. Every report contains a large appendix with so-called human development indicators.

There has been considerable worldwide interest in these publications. At this stage it is still difficult to assess their impact or application. In its 1992 report, the UNDP relates that the idea of human development (HD) is increasingly popular but warns against using Human Development as a fashionable discourse. Human development is defined by the UNDP as follows:

> A process of enlarging people's choices. The most critical of these wide-

> ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living. Additional choices include political freedom, guaranteed human rights and personal self-respect [*UNDP, 1990: 1*].

An important aspect of the human development approach is that it sees the expansion of income and wealth as only one part of development and states that 'the simple truth is that there is no automatic link between income growth and human progress' [*UNDP, 1990: 11*]. Human development focuses on people and on their role in the process of development. Participative development is strongly encouraged. 'People's needs and interests should guide the direction of development and people should be fully involved in propelling economic growth and social progress' [*UNDP, 1990*]. An important indicator is the human development index which shows the development situation of a particular country.[8]

As human development aims to provide an integral approach to development, UNDP's recommendations are varied. Amongst others, efficient government action is promoted, especially in the field of social policies. There is a clear role and responsibility for governments in the fields of education and healthcare so that shifts in public expenditure towards these areas should take place. Policies should, where necessary, be made more efficient and cheaper. Higher levels of community participation, improved management and cheap technology are seen as possible solutions. In general priority should be given to primary education, primary health care, water and sanitation and food subsidies for the poorest sectors [*UNDP, 1991*]. The unequal distribution of income is also criticised and 'growth with equity' promoted. Without it economic development will exclude large sectors of the population, probably cause social and political tensions and, in the long run, hamper the domestic prospects of economic growth [*UNDP, 1990*]. Thirdly, obstacles in the international field are mentioned. The IMF and World Bank are criticised for their incapacity to provide resources to developing countries at times of most need. As stated in the 1992 report: 'Far from dampening the cycles of unregulated financial markets, they amplified them.' The present situation in which developing countries transfer resources to industrialised ones, is criticised as are deflationary adjustment policies and the lack of adequate (and more democratic) international mechanisms to resolve existing problems [*UNDP, 1992*].

Alternatives from Below: 'Basismo'

The enormous increase in development-related activities at the grassroots level by social movements such as as trade unions, neighbourhood, peasant and community organisations, churches and christian base communities have given

rise to diverse theories and strategies of development 'from below'.

Hernando de Soto [*1987*] in his book *The Other Path* presents a neo-liberal interpretation of the entrepreneurial activities of the informal sector in Lima, stressing the importance of free markets, individual behaviour and a reduced state. Others regard the rise in grassroots activities as the building blocks of a new society, based on such values as community, real democracy and social and economic justice, as for example Liberation Theology. These different interpretations of grassroots initiatives are connected to different development models which lead to differing judgements as to where these initiatives can and should lead. Here we draw on the work of three authors: David Lehmann [*1990*], John Friedmann [*1992*] and John Clarck [*1991*]. Their emphasis is on alternative solutions to problems experienced by the poor, solutions which challenge mainstream conceptions of development which focus on the state and the market (that is, neo-liberal and neo-structural approaches). These kinds of development initiatives will be referred to as *alternative development.*

David Lehmann [*1990*] recommends (largely for Argentina, Brazil and Chile) a 'Basismo as if reality really mattered or Modernization from below'. *Basismo* is defined by Lehmann as a myriad of organised activities, basically of movements related with or associated to the Christian base communities, and the ideological biases that accompany them. Lehmann stresses that *basismo* is not a self-contained system, but a bias or a tendency; its core lying in 'a broader and more deeply rooted project of democratization of institutions and social relationships' [*Lehmann, 1990: 186*]. Both disenchantment with or despair about the capacity of the state and the demand for a bundle of rights, encompassed in the term citizenship, form the key tendencies on which *basismo* builds.

The rise of new forms of political mobilisation is, according to Lehmann, a response both to repression and changes in the economic structure and the role of the state in the economy. 'The novelty of these self-managed activities derives from the extent to which they are independent of the state apparatus' [*Lehmann, 1990: 151*]. These activities are said to be part of a 'rebirth of civil society'.

Basismo as such is not a theory and Lehmann identifies several tendencies implicit in the activities of a wide variety of grassroots organisations. First, *Basismo* goes together with 'another or alternative development' that gives priority to human needs, self-reliance, ecological sustainability and the empowerment of people in order to make structural transformations. Second, democracy and participation are important in the *basista* approach. 'It distrusts the formal apparatus of liberal democracy, just as it distrusts the formal apparatus of the modern state. [...] emphasizing democracy as an educative and solidarity-building activity of face-to-face groups' [*ibid.: 192*]. The language of rights is important and human rights tend to cover both the right

to life and basic freedoms as well as the right to land, a roof over one's head, education and health. A third tendency concerns the bureaucratic aspects of *basismo*. Grassroots organisations build institutions that either last for a short period (ad hoc groups) or for a longer time (at the level of formal politics). The form of bureaucratisation, which 'stands in a relationship of both complementarity and tension to popular mobilization', is important [*ibid.: 196*]. Fourth, it is said that 'for a *basista* both markets and the state tend to preserve and probably accentuate inequality and marginality, yet the distrust of and disillusion with dirigisme may in the present climate outweigh the distrust of markets' [*ibid.: 197*].

Many activities taking place at grassroots level are a reaction not only to inadequate state policies but also to exclusion from markets. *Basismo* is a critique both of the attitudes of politicians, planners and so on and to structures (domestic and international). In emphasising empowerment, grassroots organisations implicitly criticise mainstream strategies for not being participative and for even disempowering large sectors of society.[9] The strength of *basismo*, according to Lehmann, is its potential 'to build sustainable institutions on other than a very small scale' and to strengthen the networks of civil society. This process could also form the basis of a more successful economic development strategy.

In the long run mutual recognition and to some extent mutual dependence is needed of two sets of bargaining agents: state agencies and mass organisations. This means that grassroots organisations should professionalise and scale up their activities so as to connect local actions to a national or global strategy.[10] As Lehmann states: 'Scaling up is one of the most striking ways in which the modernization process is transmitted from below, and it can contribute to the insulation of the political and social spheres' [*Lehmann, 1990: 207*].

II. CONVERGENCES AND CONTRADICTIONS

Economic Growth and Poverty Reduction

It is interesting to note that none of the four models discussed in the previous section sees economic growth as the sole objective of development; an objective often associated with mainstream development. ECLAC, UNDP and the World Bank mention it as one of their aims and alternative development also sees economic growth as important. Policies and programmes of poverty reduction in particular are given a great deal of attention in all approaches. The World Bank refers to poverty reduction as 'the benchmark of the institution'; ECLAC [*1990: 10*] sees the 'prime task' of development to be 'the transformation of the productive structures of the region in a context of progressively

greater social equity'; the concept of Human Development implies poverty reduction because it includes longevity, education and access to resources; *basista* thinkers, such as Friedmann and Clarck, state that poverty-reduction should be the prime objective of alternative development but linked to political and social empowerment.[11]

The four approaches appear broadly to agree at the level of discourse about these two objectives of development but this does not mean that in practice their strategies will pay equal importance to these two objectives. Since 1985 the World Bank's interest in poverty reduction has increased but critics argue that these strategies are not an integral part of adjustment packages and do not affect the more structural causes of poverty. Poverty reduction programmes are also criticised for their political nature. As Gibbon states: 'their main purpose appears to be to help selected pro-adjustment governments to neutralise potential critics, rather than attack the more deeply entrenched, resistent and typical forms of poverty' (Gibbon quoted in Bye [*1992: 53*]). The World Bank is also held to be seeking to improve its image by addressing the symptoms only [*Gibbon, 1993; Bye, 1992*].[12]

Richard Jolly [*1991*], one of the authors of 'Adjustment with a Human Face', states that the problem (of poverty-alleviation programmes) is not how to add, but how to incorporate. However, he identifies a trend in the World Bank group towards integrating poverty-alleviation objectives into broader economic policies; a trend which goes beyond mere 'adding on'. This process is most clearly seen in IDB policies. Emmerij, a member of the Social Policy Agenda Group of this Bank recognises that 'the basic lesson of the previous decades was forgotten ... that the economic and the social were one' [*1993: 3*].

It should be stressed that there are different ways of integrating social and economic policies; particularly important is the extent and kind of integration of non-economic objectives. The IDB and World Bank continue to place their trust in the market mechanism and they prefer to talk in economic terms about poverty alleviation. For example, the World Bank states that it wants to 'promote a pattern of growth that enables the poor to participate through their labor and to support investment in the poor through expanded access to health, education and other social services' [*World Bank Report, 1993: 11*].

The increasing support for the so-called *Social Funds* by both World Bank and IDB tells a lot about the way these institutions previously implemented strategies of poverty alleviation. The *Social Funds* are semi-public institutions which aim to support those social sectors most affected by structural adjustment policies. In the long run the market mechanism should solve the problem and social fund policies have, in principle, only a temporary character.

Although the social policies of the World Bank group are not yet integrated with economic policies, the introduction of anti-poverty and social policies (and discourses) has made the neo-liberal paradigm less orthodox and

integrated elements which are clearly non-neo-liberal. This is not to say that neo-liberalism has converged with neo-structuralism. Neither can it be sustained that the renewed attention of ECLAC for private enterprise, the free market and the need to insert in the international economy, has led to their acceptance of the entire neo-liberal approach. As Sunkel [*1993*] states, there are still far too many differences between the two in terms of diagnosis of the problems and specific economic policies.

In the case of *alternative development* the initiatives of the poor themselves are at the root of the strategy. Provision of basic services and strategies to improve the situation of the poor are developed by or in very close cooperation with the poor. These strategies often include some form of social or political empowerment which could possibly lead to policy reform at a national level. Here it is explicitly recognised that poverty can be the result of national economic policies, that there may be conflicting interests in development processes and that political action by the poor themselves is an important means to improve their situation. By putting politics at the core of its strategy, *alternative development* actually 'politicises' poverty alleviation and this constitutes a major difference with the approaches of IDB, World Bank and ECLAC.

In practice the contents of poverty-alleviation programmes and social policies may differ considerably, being dependent, amongst others, upon the answers given to the following questions. What does poverty mean? Does it mean the provision of a minimum package of healthcare, food and a roof above one's head, as well as policies to integrate the poor in the economy, as in the case of World Bank and ECLAC, or is it connected to social powerlessness and people's choices, as in the case of UNDP and *alternative development.* What does poverty alleviation mean? Does it mean 'giving things to the poor' or 'empowering excluded sectors'? Are the policies merely so-called 'add-on' policies to structural adjustment packages, or are they part of an integrated approach (and what is the extent of this integration?). Is economic growth supposed to benefit the poor in the long run (trickle down)? Are special programmes to alleviate the situation of the poor designed, are policies of redistribution propagated or is the social, economic and political action of the poor themselves stressed? What is the role of the state and of non-state actors in these policies? Is the existing international context seen as an enabling environment or as one of the causes of poverty and marginalisation?

People's Choices, Grassroots Organisations and NGOs

The development activities of NGOs and grassroots organisations working at a local level have increased interest in participation and empowerment in development strategies. All strategies discussed above mention the importance of participation and people's choices. In the Human Development approach of

the UNDP, 'the process of enlarging people's choices' is central and 'people's needs and interests should guide the direction of development and people should be fully involved in propelling economic growth and social progress' [*UNDP, 1990: xx*]. *Basismo* also makes the activities of poor people central and emphasises their (collective) social and political empowerment. The World Bank and ECLAC also mention the importance of participation and empowerment. However, both institutions have a very clear idea of the future development a country (and their people) should follow and participation should take place within this framework of development.

Given the low level of institionalisation amongst the marginalised, ECLAC advocates that 'fresh channels of participation should be opened up' in order for the most marginalised to be able to participate in line with national strategies. ECLAC holds that empowerment serves 'to make the development programme politically viable, but also to ensure that they [CB – the people –] participate in a responsible manner, since it will obviously not be possible to satisfy all their pent-up demands' [*ECLAC, 1992: 25*]. Elsewhere it is stated that NGOs can 'offer support to grassroots organizations to channel the expression of their demands or their participation-seeking activities in the same direction as national-level development ...' [*ibid.: 249*]. In a similar vein, the IDB argues that NGOs can play an extremely useful role 'especially if deployed in a complementary fashion with the activities of the market and of the public sector' [*IDB, 1993a: 24*].

In all approaches, NGOs appear to be an important vehicle in ensuring the participatory character of a development strategy. This is particularly the case in programmes of poverty alleviation. However, there are important differences in the role assigned to NGOs. ECLAC and IDB discourse defines the role of NGOs primarily in terms of efficiency and efficacy, and partly as an alternative to state social policies. This is the kind of NGO that basically 'implements' projects rather than designs them.

The *alternative development* approach assigns a far larger role to NGOs and other organisations in channeling popular demands, complementing self-help activities and sometimes politicising these activities. In this process grassroots organisations may 'scale up' so that their small-scale character becomes part of a broader strategy. This affects, among others, their relations with the state but in this approach the networks of the marginalised should be strengthened so that they gain a larger say in national policies through their own actions. NGOs are seen as facilitating this process.

It should be noted that the different strategies have in mind different kinds of NGOs. In a certain kind of development NGO in Latin America there has been 'a clear trend toward a concern for the broader processes of development, a concern for people rather than projects, and therefore for training, awareness-raising, social organisation, capacity-building and institutional development'

[*Edwards and Hulme, 1994: 7*]. Generally speaking, the combination of service delivery and objectives of social mobilisation or change are central to this kind of NGO's strategies. These NGOs are particularly important for alternative development. Bebbington and Thiele [*1993*] point out the interest of the World Bank and IDB in supporting another kind of, in their view more opportunistic, NGO which are service implementers alone, adapting the agenda of outsiders and competing with those NGOs which combine service delivery with social mobilisation.

There are important differences in the extent and kind of participation and people's choices in the strategies. The most important difference lies between those who consider that participation and people's choices (in a rather automatic way) should be in line with broader national development objectives (as is the case of the Washington Consensus in the IDB, or the strategy of changing production patterns in the case of ECLAC) and those who hold that participation and people's choices can and should challenge national development processes (as is the case of *alternative development*). More generally, this means that the World Bank group and ECLAC tend to accept the power *status quo* whereas *alternative development* partly challenges power relations.

UNDP warns against having too high expectations of NGOs and argues that their role should be to put pressure on governments and

> including poor people in civil life ... In eradicating poverty and providing services, NGOs are unlikely to play more than a complementary role. Much more significant is their ability to serve as an example of participatory models that governments might follow, and keep pressuring governments, in both North and South, encouraging them to focus more on the human development of the world's poorest people [*UNDP, 1993: 98*].

More progressive NGOs are, thus, seen as possible bearers of Human Development and their interaction with state agencies is of vital importance.

The Role of the State

There has been much discussion, particularly between structuralists and neo-liberals, about the role of the state in Latin American development. In the 1950s, ECLAC assigned the state a considerable role: to formulate and implement an investment programme, design a protection policy for the domestic market, reduce the economy's external vulnerability and play an important role in the promotion of technology. ECLAC held that there were fundamental reasons for intervening in economic development but was also aware of the dangers of too much state action [*Salazar-Xirinachs, 1993*]. The expansion of the state 'took on characteristics that were unforeseen by

structuralism ... mainly as a result of the pressure exerted by different social groups demanding intervention on their behalf ... and the disposition of governing elites to have the state solve distributive conflicts and assume a broad range of development responsibilities' [*ibid: 366*]. Several authors have noted that too much faith was placed in the capacity of the state and that 'a rigorous examination of the possibilities and limitations of the Latin American state in carrying out these tasks' was lacking [*Rosales, 1988: 26*].

The crisis in Latin American development led to strong critiques on both the role of the state and the development strategy followed in general. It is a well-known fact that neo-liberal ideas became increasingly influential as a result of the debt crisis of the 1980s. Structural adjustment packages prescribed a reduced role for the state in economic development, including a reduction of the public sector, liberalisation of foreign trade and privatisation of the productive activities of the public sector.

International financial institutions, such as the IMF, World Bank and IDB, continue to oppose too much state involvement in economic affairs. There is, however, a growing interest in social policies and investment in human resources on the part of the state. The IDB, in particular, now recognises that the 'economic and the social are one' and that states and markets should therefore interact. After conducting a study of the South Asian experience, the World Bank has reconsidered its position on the role of the state in economic development [*Sunkel, 1994*].

Neo-structuralists have also reconsidered the role that the state should play in their development model. ECLAC [*1992*] thinks the central role of the state should be to overcome the accumulated deficiencies in two crucial areas: equity and international competetiveness. According to ECLAC, this kind of state does not need to be small but it should be different. Other neo-structuralists argue that the market cannot do everything and should therefore be supported by government policies. This should give rise to a 'government-assisted free market' [*Salazar-Xirinachs, 1993*]. Ramos and Sunkel [*1993*] agree with this 'promotional' role of the state but think it should be clearly circumscribed and stress that 'institutional counterbalances are needed to compensate for asymmetrical pressures in favor of further intervention' [*ibid: 18*].

Important differences remain between ECLAC and the World Bank in respect of the state. ECLAC's position arises from their vision of the working of markets. Unlike neo-liberals, neo-structuralists do not depart from the 'perfectly competitive economy' and this has implications for the supporting functions of the state. The new role of the state in neo-structuralist analysis has certainly not become less complex. The Latin American state should promote both international competitiveness and national equity as well as playing an important role in building national consensus. Arroyo [*1993*] argues that the centrality given to equity in the ECLAC proposals makes it much more radical

and ambitious than it seems at 'first sight'. This may be true, but there are important questions about the capability of the state to combine this objective with other goals. How can the (internationalised) state assume these responsibilities? How can the Latin American state, which traditionally has been rather weak, play a role in the building of national consensus in societies that have become more heterogenous? ECLAC's claim is that in the longer term a greater degree of equity (by a process of social concertation, amongst others) is necessary in order to guarantee a nation's international competitiveness.[13]

A weak point in ECLAC thinking is the absence of a more thorough analysis of the challenges and opportunities facing the Latin American state today. Neo-structuralists may be right in their appraisal of what the new role of a state *should* be but a realistic account of the possibilities of achieving this goal is lacking.

A final point of critique concerns the use of the concept of 'consensus' by both ECLAC and IDB. Both institutions stress that the state should play an important role in processes of consensus-building among different sectors in society; an idea derived from pluralist democratic theory which argues that a minimal value consensus is needed to integrate state and society and thereby guarantee social and political stability. Both institutions touch on a crucial and extremely important question but (again) without addressing its many problematic aspects. ECLAC states, for instance, that 'fresh channels of communication' should be opened up with the most marginalised sectors (itself more easily said than done) in order to let the voices of the poor be heard. However, it is not hard to imagine the difficulties of reconciling interests in the increasingly heterogeneous Latin American societies. Opening up new channels of communication could equally well lead to more conflicts between different social sectors and hamper growth rates, so much desired by both ECLAC and IDB. It is far from clear whether a minimal degree of broad national consensus is possible in the Latin American context at this point in time. The fragile and limited democratisations in Latin America are a step forward in this respect but whether they are a move towards greater consensus is far from certain.

Alternative development thinkers depart from grassroots oganisations; the state becoming important when these organisations 'scale up'. Friedmann argues that there is a need for a strong state, which is able to listen. But the role of the state in such an *alternative development*, as well as how state institutions could be changed remain rather unclear. One possibility lies in NGOs and grassroots organisations linking up with political parties. Although this is a rather obvious way for grassroots organisations to gain national impact, little is said about the problems and virtues of such a strategy. Much more research has been conducted on the interaction between NGOs and governmental

organisations. Farrington and Bebbington [*1993*] analyse relations between (governmental) National Agricultural Research Services (NARS) and NGOs and the problems arising in this process. They note that 'much of the logic behind the action and existence of many (progressive, CB) NGOs is precisely to effect broader social and policy change ... they may not in fact do this ... and become gap-fillers, providing small subsidies to macroeconomic policies that otherwise continue unquestioned'. The authors state that there are two strategies of scaling up, one collaborative and one critical. The more critical NGOs will clearly find it more difficult to work together with governments and will confront many problems in changing state institutions. Nevertheless the authors point out a number of successful examples.

The International Context: From Dependency to Opportunity

The rise of structuralism and dependency thinking in the decades after the Second World War challenged the development assumptions of neo-classical economic theory and modernisation theory. The idea that 'the history of Western industrial capitalist countries should be applied to societies with completely different structural characteristics and historical experience – not to mention their particular type of insertion in the international system in a radically changed contemporary world' was particularly attacked (Oteiza cited in Kay [*1989: 4*]). Structuralists questioned neo-classical trade theory 'which believed that free international trade would gradually reduce, if not close, the income gap between the rich and the poor countries' [*Kay, 1989*]. ECLAC's 'terms of trade' argument was very important in structuralist thought, but foreign investment in itself was welcomed.

Dependency thinking was firmly rooted in structuralist theory but also drew on (neo-) Marxist theory. In Latin American dependency thinking 'more structuralist' and 'more neo-Marxist' positions can both be found. Generally, the dependency position identified the international division of labour and the transfer of surplus to the 'centre' as the most important obstacles to development. Development and underdevelopment could be described as two aspects of a similar global process. And a revolutionary political transformation was considered the only way to dissociate from the world market [*Blomström and Hettne, 1988*].

Discussion on the influence of the international context or world market on a country's development has abated but did not end with the waning of the dependency debate. None of the four strategies discussed see the international context as an absolute obstacle to development, as was the case with the more radical dependency thinkers. However, ECLAC's new proposal mentions several obstacles that might affect a country's insertion into the world economy. Protectionism in the industrialised countries is criticised and difficulties in competing with the most dynamic segments of the world market

are recognised. Insertion into the world economy proved to be extremely problematic in the 1980s. Neo-structuralists, such as Winston Fritsch [*1993*], have demonstrated the still unfavourable terms of trade of developing countries during the past few decades.

Although ECLAC mentions that the world economy is more unstable and unpredictable than in the 1950s, neo-structuralists no longer blindly trust a 'defensive redefinition of the links with the international economy' in which industrialisation was held to reduce external vulnerability [*Fritsch, 1993: 318–20*]. Instead, a strategy of insertion into the world market forms the centrepiece of ECLAC's writings. According to ECLAC such a strategy can be successful, but an active role for the state is a *sine qua non*, especially in the field of investment in human resources and a strategic technological policy.

According to Sunkel [*1993*] the difference between the neo-liberal and the neo-structuralist visions regarding international economic relations is that neo-liberals see these relations 'in terms of the conventional theory of international commerce'. Neo-structuralists look upon the world economy as a transnational system in which hierarchical and asymmetrical power relations dominate, 'characterized by administered commerce, transnational corporations, political-economic blocks, unstable, hardly dynamic, very protectionistic, using the neo-liberal ideology for adjustment and restructuring in weaker countries' [*Sunkel, 1993*].

The neo-structural stance on the world economy coincides with the position of those analysts of international relations who uphold the intertwining of markets and states and the need, therefore, to analyse market systems and state structures together and in relation to each other. One such analyst, Susan Strange, defines this 'international political economy' (IPE) as the way that 'power has been used to shape the political economy and the way in which it distributes costs and benefits, risks and opportunities to social groups, enterprises and organizations within the system' [*Strange, 1988: 24*]. For this reason, Gilpin [*1987*] notes that markets are never politically neutral.

Surprisingly little attention is paid in the ECLAC proposals to the nature of the international political economy. ECLAC stresses the necessity and possibility of insertion into the international economy, despite some adverse tendencies of a political-economic nature. But is this optimism based too heavily on the success stories of countries that have inserted in the world economy and negligent of critiques and more negative appraisals?

More critical analysts of international developments argue that the globalisation of technological, cultural and economic processes reduces the capability of governments *vis-à-vis* new transnational economic powers. Poggi holds that:

> the economic interdependencies are now, to a much greater extent than

> before, expressly established and purposefully managed by centres of economic power of such magnitude that they transcend and override (or even determine) the political activities of individual states or even coalitions of states ... These centres of economic power, often at the leading edge of technological innovation and possessing the largest resources, have loosened their relationships with individual states [*Poggi, 1990: 179*].

For Latin America this situation is particularly difficult because the Latin American state has been traditionally 'weak' [*Calderón, 1992; Hinkelammert, 1992*]. So why, one wonders, should insertion in the world economy not lead to a 'disabled' state?

Other critics have highlighted the uneven and unstable character of development that characterises insertion in the international economy in which increasing marginalisation coexists with sectors that are connected to the international division of labour. Schuldt [*1992*] argues, in his analysis of the international technological revolution and its consequences for Latin America, that this process can have both positive and negative effects. One of the possible negative effects is the marginalisation of parts of the population. In the case of Latin America which appears to suffer from 'structural dualism', this raises questions about the possibility of growth with equity in the contemporary international context [*Iguíñez, 1992; Arroyo, 1993*]. In itself it is positive that ECLAC searches for Latin American states' *room for manoeuvre* rather than emphasising the adverse international context but a more balanced evaluation of the opportunities and limitations of the international political economy would strengthen its proposal.

The UNDP also acknowledges markedly adverse international tendencies. The UNDP talks about 'the widening gap of global opportunities' and notes the disparities in market opportunities arising from such factors as higher interes rates on borrowing in developing countries, and that 'technological gaps have widened and that such gaps are self-reinforcing' because of the high prices to be paid and patenting [*UNDP, 1992*]. Interestingly, the UNDP's approach incorporates an analysis of international power relations, partly criticising important international actors (such as the IMF) and the protectionism of the developed countries. At the same time, UNDP points out the responsibility and possilities of governments and other actors.

It has been noted by Munck [*1993*] that theories of *alternative development* have until now paid little attention to the workings of the inter-national economy and that a coherent analysis of international relations and the possible limits of 'modernization from below' is often lacking. However, at the micro-level grassroots organisations can be a reaction to international forces (multinationals, cuts in social policies because of conditionality) or another

form of response to international forces. In reality there are many NGOs, trade unions and movements that are active at local, national and international levels. Many of these movements do not primarily focus on the problems and limitations of international structures but at development alternatives at the local level (discovering and creating their *room for maneouvre* in the process). In this process, many of these organisations do not take a given situation for granted (be it local, national or international) but have a clear ambition to transform. Because strategies of alternative development explicitly put power relations and politics at the centre of their analysis, the inclusion of more internationally oriented analyses is necessary. In addition, in the process of scaling up, the formation of international organisations and strategies is crucial if unfavourable international tendencies are to be countered.

The greater emphasis on internal development in the approaches studied coincides with some of the 'shortcomings of structuralism and dependency analysis' that Kay [*1989*] has described. Kay argues 'that there is a growing recognition that not all the Third World's problems stem from outside' [*ibid.: 205*]. At least as important as unequal exchange is the ability of a country 'to generate and to retain its surplus, and this is largely determined by its internal mode of production'[*ibid.: 204*]. Further on, Kay argues that Frank's thesis on the development of underdevelopment should be abandoned and he stresses that 'the essential condition for development is to undergo certain internal transformations'[*ibid.: 206*]. More attention is also requested for the role of civil society, the study of micro units of a country and the possibility and feasibility of a variety of styles and paths of development.

This shift away from 'emphasising the constraints of the international context' (as far as dependency thinkers did do so) towards 'stressing the possibilities and necessity of internal transformations' is welcome but given the ongoing process of transnationalisation in which 'the local', 'the national' and 'the international' have become more intertwined, a strict separation of these levels is less relevant. Interdependency of states, regions and economic and social groups has grown since the waning of the dependency debate. International power centres, both economic and political, undoubtedly *exist* but these no longer coincide with particular nation-states and the notion that 'some countries dominate others' should therefore be rejected. An appraisal of the power relations in the international context and their interaction with the national and local levels in terms of interdependency might give a more realistic picture of the *room for manoeuvre* of state and non-state actors alike.

III. DEVELOPMENT, POWER RELATIONS AND CONFLICT

Susan Strange argues that the process of globalisation provides the different actors in the international political economy with 'a new set of cards'. While

some actors have more power to implement their will than others, all actors *have* cards and *are able* to play the game and to influence existing power relations. This implies that the influence of this political economic context as well as ideas about *the room for manoeuvre* which different actors have should be incorported into a development strategy.

In this article it has been argued that institutions such as the World Bank, the IDB and ECLAC have too optimistic a view of the possibility for Latin American countries to achieve sustainable development through a strategy which makes poverty reduction central. Osvaldo Sunkel [*1994*] has pointed out the divergent trends in Latin American economies between those people entering the modern sectors of the economy and those who are jobless or involved in activities of low productivity, leading to a ('sustained') structural heterogeneity. He also doubts the impact of the proposed social policies and argues that changes in the political economy are also needed.

Although positive in itself that 'the possibility' of development is currently being stressed, this often occurs in a rather naive way. The World Bank, the IDB and ECLAC tend to regard development as mainly an economic and a social process and the necessary changes of power relations and the conflicts that this process involves, are hardly addressed. The explicit integration of power relations at all levels (local, national and international) ought to be part and parcel of every development proposal.

The Human Development approach has made an interesting attempt in this direction. The UNDP integrates and combines many perspectives on development processes, those of grassroots groups, governments and international agents, while giving 'people' and their choices a central place. The existence of unequal power relations and the need to change these are addressed in their writings but the UNDP tries too hard to please all parties involved in the development process (IFIs, governments, NGOs).

One of the main virtues of the *basismo* approach and of alternative development is that it puts 'politics' at the core of its theory and explicitly recognises the social and political conflicts inherent in development processes. Undoubtedly, tensions and conflicts between different actors often negatively influence development processes but tensions can also have a positive effect as well. For example, Paul Streeten writes that '[t]he relationship between NGOs and governments can be understood as one of cooperative conflict (or creative tensions), in which the challenge of the voluntary agencies and their innovative activities can improve both government services and the working of markets, and help to resolve tensions between them' [*Streeten, 1993: 1287*].

The idea that development processes can nowadays be based on a large degree of consensus among different social sectors, as proposed by ECLAC, seems rather unrealistic. Unequal power relations have never been challenged by 'consensus', which implies acceptance of the status quo, but by all kinds of

social and political action. Although this action may cause political instability at times, jeopardising the (formal) economic sphere, in some cases it can be a necessary way for 'the poor' to become 'included' in development processes.

The analysis of power relations and the question of how to deal with emerging social and political conflicts (at the local, national and international levels) is given far too little attention in the ECLAC, IDB and World Bank proposals. While stressing the importance of national consensus-building, they fail to point out the numerous conflicts that will accompany any process of change. John Friedmann's statement that '*alternative development* is political to the core' because it challenges existing power relations, can, however, also be applied to 'mainstream' development. In this case one should say 'development is political to the core', albeit implicitly, because existing power relations are taken for granted.

NOTES

1. The conditions set by the multilateral institutions in the form of adjustment packages, and the increasing degree of intertwining of conditionalities of the IMF, World Bank and regional banks (cross-conditionality), made the adoption of neo-liberal policies almost inevitable for those countries in need of foreign finance.
2. The process of negotiations between the World Bank and UNICEF is described by Jolly [*1991*]. In 1989 UNICEF published a book called *Adjustment with a Human Face, Protecting the Vulnerable and Promoting Growth*. The UNDP in a way challenged the World Bank and IMF with its Human Development approach which will be discussed below. The fact that the World Bank responded to its critics may also be a result of the improved economic prospects for Latin America in the 1990s.
3. As will become clear in the following pages, the new IDB proposals share some common ground with neo-structuralist ideas. This is not surprising, as we find names such as Nora Lustig (a neo-structuralist) and Frances Stewart (co-author with G. Cornia and R. Jolly of *Adjustment with a Human Face*) among the membership of the Social Agenda Policy Group.
4. The IDB states that this is one of the objectives. See, for example, the 1992 Report of the IDB: 'Only by addressing fundamental social needs will development in the region be both sustainable and equitable.' It is implicitly stated that the objectives of poverty reduction, economic growth and sustainability are mutually reinforcing rather than conflicting.
5. See Rosales [*1988*]. In the same article the author describes seven elements around which the school of thought associated with ECLAC coalesced. Among them we find: criticism of the traditional theory of foreign trade, arguments in favor of industrialisation, the need for structural change and an integral view of the development process as well as an emphasis on the social dimension.
6. See Rosales [*1988*]. It should be stressed that Prebisch had already pointed out these weak points at an early stage [*Ffrench-Davies, 1988*].
7. See Osvaldo Sunkel's book [*1993*] with the same title.
8. The HDI focuses on three elements: longevity, knowledge and command over resources. It should be emphasised that many feel this indicator to be rather ambiguous. UNDP continues to develop the HDI; in its 1994 Report we find, for example, a gender-biased HDI.
9. Friedmann [*1992*] talks about 'a historical process of systematic disempowerment' of mainstream development and the need for a 'whole economy model'.
10. Lehmann [*1990*] calls scaling up 'a coherent and feasible political programme ... so as to make an impact beyond the micro level'. For Friedmann [*1992*] it means a move from social power to an explicit agenda for the development of political power. Whereas Clarck [*1991*] discusses it as

building grassroots movements and influencing policy reform (from Munck [*1993*]). Farrington and Bebbington [*1993: 161*] distinguish between various kinds of scaling up: working with and within government structures to influence policy and systems; national and international lobbying or advocacy; by strengthening organisations of the poor; operational expansion of the NGO itself; through the market and by giving training to other organisations.

11. Both employ a broad definition of poverty. For example, Clarck [*1991*] states that the principal objective of development should be the eradication of poverty and its underlying causes, powerlessness being one. Friedmann defines poverty as lack of social power and states that 'without the prevalence of real poverty in the world, there would be no need for an alternative development' [*1992, Ch.4*].
12. These critiques came from UNICEF, among others. The fact that UNICEF 'accepted' the adjustment packages and wanted additional programmes for the poor is also criticised by Gibbon [*1993*] and Bye [*1992*]. The World Bank's Development Report on poverty is criticised by Gibbon for being extremely general and proposing only minor changes in finance strategy, credit policy and trade liberalisation [*1993: 47*].
13. This argument is based on the idea that in a democratic order strong labour unions will force employers to pay higher wages and to look for more advanced technologies. The argument that redistribution will have a positive effect on consumption is also mentioned.

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