



Economic models and development patterns in Latin America

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Summary

In this article, the author suggests that it is time for the countries to return to the drawing board to construct new paradigms with multidimensional approaches and the economic, political, social, educational and environmental practices required to ensure economic growth, especially in the developing nations. He points to the disconnect between the economic models currently employed in the hemisphere and the dominant development patterns in the Latin American countries, which in many cases are incongruous. He argues that the governments of the region and their institutions, specialized agencies and universities should continue to facilitate opportunities for the study and discussion of the need for the gradual transformation of the countries' development patterns, adopting a creative and systematic approach. Agriculture has a key role to play in this process, not only by supplying more and better food, but also by generating a broader, more diversified base of production and employment and innovative rural initiatives, based on knowledge, technology and value-added.

The current global economic crisis has led to the collapse of paradigms, the discussion of alternative road maps and the implementation of new proposals. For some, the global crisis is not only deep but also multidimensional, with economic, political, social and environmental facets. For others it is merely a temporary state of affairs and the world will soon return to the path of globalization and economic growth.

Whatever the truth of the matter, the dilemma in which we find ourselves is the subject of heated debate: should developing countries promote economic growth first and then focus on poverty reduction, or should they devise public policies to combat poverty first and then create the conditions for economic growth.

The answers to these questions may seem obvious to those of us involved in the development of agriculture and the well-being of rural families, but the important thing is that issues that deserve greater analysis and discussion are being raised.

The debate becomes even more complex and challenging when it focuses on the benevolence or perverseness of the economic models currently employed in the hemisphere, and whether they are consistent or inconsistent with the dominant development patterns in the Latin American countries.

We have become bogged down in endless debates about the currency or obsolescence of

the present economic models, which in practice are little more than differences of opinion about minimalist approaches: do we want more (or less) state influence or should we depend more (or less) on the invisible hand of the market? Should we

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invest more (or fewer) public resources in social programs or should we seek more (or less) integration into the world economy? However, no one attempts to answer a key question: do we, or do we not, need to change the development patterns currently employed?

The fact is that a number of Latin American nations, despite implementing sweeping reforms aimed at achieving macroeconomic stability and economic growth, have failed to match the achievements of other countries

with similar characteristics. A simple illustration will suffice. At the end of the 1960s, the per capita gross domestic product (GDP) of the Andean nations was similar to that of the East Asian countries. Four decades later, despite the recent upturns, the per capita income of the Andean countries is, on average, less than half that of their Asian counterparts.

We are gradually realizing that economic growth alone has failed to solve the problems of extreme poverty and inequity. In many cases, it has actually helped make them worse. We have also seen how the incidence of rural poverty and the reproduction of inequality have become more accentuated in recent decades, despite the high economic growth rates recorded in many Latin American countries, with only a few exceptions.

Progress has been slow using the traditional approaches to economic development, based primarily on the utilization of non-renewable natural resources. Nor have development patterns based exclusively on natural resources enabled many of our countries to achieve diversified, sustainable, broad-based economic development, led by micro, small and medium enterprises (MSMEs) and incorporating value-added and know-how.

Consequently, many Latin American countries still face major challenges in formulating and implementing policies and strategies designed to achieve a significant leap in that direction.



The Economic Commission for Latin America and the Caribbean (ECLAC) is on the right track when it suggests in its report “Latin America and the Caribbean in the World Economy 2008-2009” that Latin America’s pattern of international integration needs to be rethought, but it then goes on to recommend that countries fully exploit their natural resources and once again place emphasis on exports of raw materials.

While the high price of primary products and commodities can generate short-term economic growth in many countries, it should go hand in

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hand with programs to diversify production and efforts to incorporate broad new productive sectors.

We agree that an economic model is simply the way in which a development pattern is administered. The development pattern is the “what” and the economic model is the “how.”

It is interesting to note that several Latin American countries are beginning to construct new economic models: some designed to consolidate the free market and private enterprise; and others leaving less to the invisible rules of supply and demand, and assigning organized communities and the State a leading role in the development of strategic economic sectors.

However, it remains to be seen whether these or other economic models (or variants and combinations thereof) will be able to transform the present economic development patterns, rooted in the use of non-renewable natural wealth, into others that will lead to diversified economies with broad social, participatory and sustainable bases.

The United Nations Development Programme (UNDP) defines a development pattern as the way in which the factors of production of an economy are linked, function and cooperate in or impede economic activity, in a context of competitive advantages and disadvantages that energize or undermine the productive framework (UNDP 2005:269).

Therefore, a development pattern describes both the endowment of factors of production (capital, labor, technology and natural resources) and the mode of international integration.

If we accept this line of analysis, it is clearly essential that the governments of the region and their institutions, specialized agencies and universities continue to facilitate opportunities for the study and discussion of the need to find a creative, systematic approach to the gradual transformation of the countries' development patterns, and to integrate, in addition to traditional economic agents, new work forces and rural family units and micro-enterprises into productive dynamics that will generate income and employment, particularly based on the

agricultural, forestry and manufacturing sector.

It is time for the countries to rethink their approach to development and combine economic and productive considerations and the need to export with environmental, political, institutional and educational factors and social inclusion. In this context, we need to abandon the production-based, minimalist approaches of traditional economic models and adopt multidimensional development patterns, in which agriculture can and should play a leading and visible role, not only in supplying more and better food, but also in generating a broader, more diversified base of production and employment and innovative rural initiatives, based on knowledge, technology and value-added.

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