

# THE EVOLUTION OF ECLAC THOUGHT: NEOLIBERALISM AND INEQUALITIES

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## Abstract

This article discusses the evolution of the Economic Commission for Latin America and Caribe (ECLAC) in terms of its more progressive or conservative character. Starting from a progressive stance creating a new way of analyzing underdevelopment, ECLAC moved towards a conservative phase with open regionalism. Recently, the reduction of inequality at the center of its objectives seems like a return to a progressive phase. The article shows problems for a true advanced nature in some contradictory theoretical arguments about markets and competition. It also suggests directions to a really progressive institutional role for such international institution.

**Key-Words: ECLAC, Reduction of Inequality, Competition, Common.**

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## Introduction

The international social and economic situation, since the beginning of the 2008 crisis, with serious problems in terms of growing inequalities, shows that there is a pressing need for changes and deep transformation of the world economy. Particularly, a change in the present neoliberal environment is paramount, in which international institutions have an important role to play.

Despite the recognition of the importance that such a role may have, the conservative nature of many international institutions is worrisome. Arguably, ECLAC<sup>2</sup> – an institution known for its progressive character in the 1950s and 1960s, when it opposed the economic mainstream – no longer plays enthusiastic perspectives nowadays. Originally, such organization was concerned with the promotion of import substitution in individual underdeveloped countries and the establishment of common markets among such nations. In this sense, it proposed stimulate some industrial sectors and to diversify the structure of domestic production into a pattern that could be capable to sustain economic growth. By late 1960, proponents of such structuralist approach to economic development faced a strong barrage of criticisms due to some ideological reasons as well as the apparent difficulties of the proposed experiments. Under this historical situation, the original paradigm was compelled to reappraise its position.

Notice that ECLAC presented at its beginning a heterodox differentiated analysis of underdevelopment, seeking the adequate solutions to the specificities of the underdeveloped countries, instead of merely importing the prescription of economic mainstream. However, since the 1970s, the neoliberal dominance absorbed ECLAC's way of thinking. Some structuralists still showed motivation in solving the problems of social injustice and inequality, according to the work of Fajnzylber "*Transformacion productiva com equidad*" (CEPAL 1990); however, such propositions did not succeed; neoliberal thought re-started to predominate. The institution did not perceive the contradiction between both the targets of increased competitiveness and the reduction of inequality, even when it sought to challenge the Washington Consensus with this new approach. The Washington Consensus, a new liberal<sup>3</sup> conviction got hearts and minds of most economists and policy makers, reflecting a recoil against protectionism and inward-looking planning.

More recently (CEPAL 2016), a return to progressive thinking is perceived, with the proposal of reducing inequality as a central objective by 2030, and with the explicit recognition of the role of globalization and its neoliberal character in inducing the increase of inequality. Despite this recognition, the document still shows strong traces of a defense of markets and praise of competition, with little concern for any resulting increase of inequality.

The objective of the present article is to analyze this evolution of the ECLAC thought, in what refers to its neoliberal prescription, and theoretically discuss its inadequacy to solve inequality problems. After this introduction, the idea is to analyze, in the first section,

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<sup>2</sup> ECLAC (The Economic Commission of Latin America and Caribe, in Portuguese and Spanish CEPAL), was created in 1948 by the Economic and Social Council of the United Nations.

<sup>3</sup> In the USA, the word "liberal" has a political meaning of progressive ideas, while in England it means to defend market logic or to be market-friendly, in an economic sense. The article follows the British expression, being critical of neoliberalism.

ECLAC's main progressive ideas. In the second, the article points out the relative neoliberal character of its thought, locating the mentioned neoliberal path in the 1970s and 1980s.

The third section finds more progressive and heterodox traits in recent documents, but it also points out the theoretical problems related to orthodox neoliberal thought which avoids a deep perception of inequality as the consequence of competition in the world economics.

Section four theoretically analyzes, in economic and political terms, the incompatibility of increasing competition and reducing inequality simultaneously. In this regard, as showed in previous works (Mollo and Amado 2001; Mollo 2015a), there are theoretical economic reasons to explain this increase in personal inequalities and in the inequalities among different countries. It also explores a new important criticism of neoliberalism which points to the role and the nature of competition as it is present in our reality (Dardot and Laval 2016), as well as the difficulties it creates for a democratic society.

Finally, section five contains the concluding remarks. It relates and discuss some heterodox progressive ideas of organizing society in an alternative way, with neither the market logic nor State regulation. Alternative policy prescriptions will appear at the conclusion, proposing a different institutional role for ECLAC. Our vision combines theory with a political and institutional understanding of policy problems, bringing together some important and influential considerations underlying the recent works of a group of progressive scholars.

## **1. The evolution of ECLAC thought - progressive ideas**

The term progressive here employed is in contrast to conservatism. The Oxford English Dictionary defines progressivism as advocacy of social reform. Conservatism, in its turn, seeks to maintain the evolution of the economy while retaining the traditions. In this article, social reform means transformation of society in terms of social development, which implies economic, political and social equity. Thus, the meaning of progress sustained here is that of an improvement in the human condition in society as a whole.

The progressive and heterodox character of ECLAC thought at its launching was in its proposition for a different pattern of growth for Latin America, by recognizing the specificities of each country in order to guarantee the equitable distribution of its benefits in the society as a whole. According to Prebisch:

“Industrialization is not an end in itself, but the principal means at the disposal of those countries of obtaining a share of the benefits of technical progress and of progressively raising the standard of living of the masses.” (ECLAC 1962, p. 2)

He also indicates that:

“The progress of growth cannot be considered successful —even though it is both rapid and accompanied by industrialization - if it is achieved without a definite improvement in the conditions of the poorest sections of the community. The burden of economic transformation has at times been thrown on them by suppressing increases, or even inducing declines, in their real income.... Besides, the growing inequality of income distribution would inhibit the appearance of mass production industries, an essential step in the process of development.” (ECLAC 1962, p. 24)

The specificities of Latin American countries required different analysis and propositions to achieve a satisfactory level of economic and social development. In terms of method, the assumption was that the institutions and productive structures were inherited conditions of the economic dynamic. This is the “historical-structural” method of analysis. In Latin America, the conclusion, using such a method, was that its underdevelopment was not a previous stage of the complete development trajectory, but it was a byproduct of the

structural dynamics, in terms of dependency of the underdeveloped or peripheral countries from the rest of the world, or from the central countries. The underdeveloped nations depended on world economic development in terms of international insertion, transmission of technical changes and the relation between the development and the distribution of its economic and social results. The structural heterogeneity across underdeveloped countries implied the need for different ways of development, and required specific economic policies for each.

As very well summarized by Ocampo (1998), in the beginning of ECLAC, during the immediate post-Second World War period, development was synonymous with industrialization. Industrial development appeared as an export byproduct sustained by a high level of protectionism even in the developed countries as is the case in the USA. State economic intervention was generalized with the need for reconstruction of the world economy, and it was the basis of the industrialization and development of Latin America. The import substitution policy stands out as the main economic proposition of ECLAC, which can lead to the development of various economies. Economic planning and programming also had a great prominence because of the importance of State intervention with the economic policies for overcoming the peripheral conditions of backwardness.

Prebisch himself (1962, p. 35) talked about development policy as a deliberate effort to act on the economic forces in order to accelerate each country's growth rate, not for growth itself but, as a way of obtaining a sustained improvement in incomes of its poor people and in its ranking in the global income distribution.

The main effort to achieve economic development must be on finding ways in which governments would be able to intervene to help private producers change structural (traditional) characteristics and promote import substitution through industrialization. Their intentions were to develop new industrial sectors and to diversify the structure of production for the local markets. The progressive nature of this policy though rested on the government's role, seen as a way of solving specific problems of an underdeveloped country. Main policy instruments were tariffs and quotas, foreign exchange rationing, low interest rates applied to relevant sectors, and tax concessions to industrial investors (industrial policy).

The idea was that an underdeveloped economy is often characterized not only by low *per capita* income but by certain dominant structural features. There was a juxtaposition of a largely traditional agricultural sector which uses technology with low levels of productivity, and a "modern" industrial sector using more advanced techniques. This was the main structure in an underdeveloped country. The process of structural change tended to lead to the creation of hybrid structures in the economy; partly tending to move to a more capitalist system, and partly perpetuating the features of a traditional economy, mostly in the agricultural sector. This phenomenon consisted in what Lewis (1954) called a "dual economy": a modern industrial sector coexisting with a backward agricultural nucleus. To complete the picture, issues of method were associated with the theory of knowledge in the social sciences, and the linking theory with historical reality and institutions was contemplated in the studies.

The aim is to create local entrepreneurs (industrialists) who seek to provide goods and services similar to the imported ones, and consequently to adopt production methods that make it possible to compete both domestically and abroad with the foreign producers. This is not a simple task. The generation of indigenous technology to replace imported equipment, designs and know-how was also extremely difficult. Even importing new technologies was complicated for several reasons, including limits on foreign exchange and finance, as well as high costs, need for adaptation to domestic conditions and last but not least, institutional constraints.

Hirschman (1961) argued that the inducement to invest in the industrial sector could happen if the economy followed investment paths in which each stage of investment generated, through backward and forward linkages, activities in other branches of the economy. This led to further inducements to invest in these branches. This strategy sought to improve development with fewer resources, overcoming the imbalances in a dynamic strategy. The backward linkages indicated the demand for inputs that certain sectors could require from others, and the forward linkages meant greater production in certain sectors at lower prices to reduce costs of the producers further downstream.

One of the main difficulties of the import substitution industrialization process was related to the terms of trade and balance of payments disequilibria. Other potential barriers to development were the case of inflation and control of the monetary policy, public expenditure, wages, and choice of techniques, sectoral priorities and the structure of prices as a guide to resource allocation. Most of these required special concern for the aggregate level of economic activity as explained by the principle of effective demand, and the role of markets and government. Of course, this concern also involved issues of immense importance, sometimes overlooked in the effort to address challenges: social and political power. That was why for ECLAC, industrial output must be expanded not only for the domestic markets, but also for foreign markets, through a policy based mainly on export-led growth.

Furtado (1978), as well described by Rodriguez (2009), attracted attention to all these economic reasons preventing an accumulation path that reconciles foreign and domestic interests in the international division of labor. But he also points out some cultural difficulties. Starting from a notion of progress related to the industrialization, the peripheral society identification with the ideas and values of the 'industrial civilization' of the center prevents the development of its own cultural identities. This leads to a cultural dependency and the consequent difficulties to develop original ways of technological and economic progress.

Economic development consisted not only of raising *per capita* incomes but also in structural transformation so that the country would be able to acquire the internal capability to initiate and sustain economic growth and income distributional improvement. A clear distinction between growth and development, the latter consisting not just in raising output *per capita*, but in the steady incorporation of the labor force into the production process, is made. Increases in labor productivity should be stimulated in order to diversify and integrate the economic sectors.

The process of industrialization via import substitution normally starts with the production of simple industrial consumer goods involving less sophisticated levels of technology. Subsequently it expands to industrial consumers who possess improved technological sophistication and who even aim at producing capital goods. The latter is more difficult and involves a continuous process of technological innovation. However, with the Washington Consensus, a new paradigm became dominant and led to the questioning of the import substitution process.

## **2. The evolution of ECLAC thought – the neoliberal conservative thought**

ECLAC thought changed with the so-called open borders, which appeared after the 1970s and lasted until recently. The conservative character of this phase is in the return to a traditional view of the world, less emphasis on the Latin American specificities and on State interventions to induce a social transformation.

The interest in diversifying exports was present since the 1960s along with the idea of import substitution. However, in the mid-1970s, several reasons led to what, according to Bielschowsky (1998), Iglesias called the phase of ECLAC's survival. On the one hand, each

country used a different strategy of development. On the other, the dictatorship in Chile and in several other countries, among other reasons, reduced the possibilities of interchange of ideas and actions. Besides, the problems related to the general indebtedness among the countries required increased exports to ensure international reserves for debt payments. Furthermore, the globalization of the world economy blaming the irresponsible States for the debts and the calls for avoiding the technological isolation, led to the defense of economic liberalization.

Even with and after the works of Fajnzylber (1983; 1989), “*La Industrialización Trunca de America Latina*” and “*Industrialización en America Latina: de la ‘caja preta’ al casillero ‘vacío’*”, and in ECLAC document (CEPAL 1990), “*Productive Transformation with Equity*”, explicitly concerned with inequality, there was a somewhat neoliberal tone.

Actually, there has always been a preoccupation from ECLAC’s researchers with inequality and the potential social benefits of development (CEPAL 1990). The usual concerns were the problems posed by foreign technologies which reduced labor demand; and with the need to turn the social structure towards redistribution of income; with the search to make form of development for social homogeneity viable. The reforms proposed to reduce inequality were always present in the ECLAC documents and projects.

During the 1990s, besides the competitive international insertion, there was also an emphasis on stable macroeconomic and financial outcomes and preservation of the environment (Bielschowsky 2000). The long-term policies continued to maintain international economic openness and free capital mobility. Although different from neoliberal policies *strictu sensu*, the context of the Washington Consensus and its ideas of privatization, deregulation and market opening were always present<sup>4</sup>.

Some neoliberal ideas were actually applied with moderation. Fajnzylber (1983), for example, opposed the further opening to international trade. He also showed the need for coordination between the State interventions and the private sector’s market operations which had succeeded so well in the Asian countries. He also criticized what he called the “frivolous protectionism”. He proposed that the State should coordinate the markets to improve adoptions and to complete the industrialization process. As well summarized by Bielschowsky, there was an insufficient degree of competition because of the delay in the generation and diffusion of technological progress; inadequacies of national entrepreneurs in the areas of risk taking, technical progress, research, creativity and limited integration between industry and agriculture. The suggestion was to develop an endogenous nucleus of technological progress to strengthen local production links, integrating industrial and agriculture sectors, reducing environment destruction and to generate a greater compatibility with the natural resources available.

The preoccupation with income distribution appeared in Fajnzylber (1990) where the author remarked on the absence of any countries in Latin America which were both growing and simultaneously reducing income concentration (“*el casillero vacío*”). The article emphasized two important conclusions: the need to open the “*caja negra*” of technical progress to add intellectual value and improve competitiveness in such way as to drive economic growth to reduce inequality. ECLAC, however, even accepted the partial opening to trade of the economies, but opposed the more radical neoliberal propositions. It admitted that the new regulatory dynamic as inevitable. An example of this new ECLAC view was

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<sup>4</sup> As Bielschowsky (2000) remarks the ECLAC’s proposals were considered heterodox in the sense of being opposed to mainstream of economics. As we are trying to show, however, the more or less heterodox character evolved alongside the ideological, economic and social context.

the idea that the opening should be quite gradual, selective and monitored. No doubt, the neoliberal international context was still not approving of the heterodox character of ECLAC<sup>5</sup>.

Despite the moderation of ECLAC in assuming neoliberalism, this was a conservative phase, in the sense of respecting the *status quo* of the free market ideas in the world, reducing the State intervention to transform the society. Such conservative path of change seems interrupted only in recent years, with the reduction of inequality included in the proposals for sustainable development, and the explicit recognition of the responsibility of globalization in the increase of inequality. This is the subject of the next section, which deals with ECLAC's prognosis to 2030 (CEPAL 2016).

### 3. The return to a progressive agenda?

Actually, the need for equality seems central to ECLAC report on the prospects for 2030 (CEPAL 2016)<sup>6</sup>, in the light of its title: *Equality in the center of sustainable development*. The document recognizes explicitly, at least in its Portuguese and Spanish versions, that globalization led to increasing inequalities. This requires prescriptions that imply a “new equation to State, market and society” (p. 15), to achieve more equality, a sustainable environment and more employment.

In the description of the new development style desired, some progressive propositions are featured.

1. The need for “policies to create incentives to revive investments and direct them to full employment and sustainability” (p. 16).
2. “The lack of global coordination leads to a recessive bias to the system as a whole; to leave this impasse and to promote growth a world Keynesian policy is needed, where the surplus countries help to recover the global equilibrium with their demand” (p. 18).
3. “The budget expansion can be supported by the emergent consensus about the need to make strong investments to change the energy matrix and the production pattern. In other words, global Keynesianism to sustain effective demand... an environmental Keynesianism, where full employment and the care with the environment become harmonic in an investment block to a path of low carbon growth” (p. 22).
4. “The moments of aggregate demand contraction and fiscal adjustment with Balance of Payments imbalances can lead to investment decrease, with negative consequences for long-term growth. Investment, productivity and technical progress have a very strong relation: the weakening of one of those axes compromises growth” (p. 28).
5. The deregulated world system “prioritized commercial liberalization, without paying attention “to specific problems of competitiveness, foreign balance and environment deterioration” (p. 30).
6. “Technologies and public policies can generate the necessary conditions to the decoupling between growth and employment and emissions” (p. 31).

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<sup>5</sup> The impossibility of opening the economy to the world in economic terms was recognized by Prebisch himself, at the end of his life, in an interview given to Pollock, Kerner and Love (2001, p. 22). He said then: “I, personally, believed in the neoclassical concept of free trade. (We assure a growing free trade area in Latin America. We gave industry time to adapt to the fall of import taxes. We allowed the needed time). In the light of experience, we see I was wrong”

<sup>6</sup> In what follows, except when we make explicit reference, the page number refers to CEPAL (2016).

The importance of the increase of investment and effective demand to direct the economy to full employment, or somewhere near full employment, and the role of Keynesian economic policies in this process define a heterodox agenda to make the reduction of inequality as a central goal. The search to intervene and thus transform society structurally, defines a progressive feature.

The document recognizes some risks of failure of the propositions that could “become declarations of intent that after are denied systematically by the market demand and *realpolitik*” (p. 24). First, the institutional staff necessary in the world system to “adopt a full employment and growth as a goal” is “non-existent” (p. 18). Second, the configuration of the existent incentives to the economic production makes pollution be the dominant strategy (p. 22). Third, problems related with ineffective governance, and seize of the changes needed, lead to the risk of failure of the propositions, which could become mere declarations of intent.

These risks are actually present because of possible political and theoretical divergences, even inside ECLAC. This is a suspicion based on the English version of the document analyzed here. It contains none of the propositions we have just listed as progressive. The Brazilian version is the one we used to make the above quotes. The Spanish version is similar. The English version, however, is shorter and the spirit of the document is completely different, as we can see from the absence of all those considerations about the need of economic policies to recover investment, growth and employment. This shows for itself political divergences inside the institution, and it shows how it is difficult to perceive the reduction of inequality as a central goal, testifying a conservative trait of ECLAC thought.

Some difficulties are particularly of interest to treat here. They relate to the economic theoretic basis used to sustain and to explain the propositions. The next section will discuss some contradictory propositions along with the economic theoretic ideas used in the ECLAC’s document, *Horizons 2030*, to show additional difficulties in the reduction of inequality.

#### **4. Some theoretical controversies about markets, competition and inequality**

It is undeniable that the role of the State in capitalism is restrictive. However, the concept of a free market economy is completely incompatible with a high degree of income equality. The understanding of this incompatibility helps to find adequate measures to reduce inequality.

##### **4.1 Economic Controversies on Competition**

In the description of the “new sustainable development” proposed by ECLAC (CEPAL 2016), there are some contradictory propositions that show a poor understanding of the correlation between free market economies and the high levels of economic and social inequalities. It also reflects economic theoretic controversies about the role of the market and of competition itself. Despite the explicit mention of the need for a balance of State, market, society, environmental care and weakness of aggregate demand, this statement contradicts another in which the Washington Consensus reduced considerably the space of public policy in the social and productive sphere, including the revival of aggregate demand.

That liberalization, and thus neoliberalism, can cause both the reduction of growth and equality. It is recognized and analyzed by heterodox thought. Post-Keynesians claim that the uncertainty in our economies can inhibit investment and aggregate demand, requiring a State role to improve them whenever private decisions reduce them. Liberalization of the economies, reflected in free trade, free movement of capital and floating exchange rates



increases uncertainty. The resulting increased liquidity preferences inhibit investment, which in turn reduces the rate of world economic growth in this neoliberal era.

Moreover, uncertainty and liquidity preferences are greater in underdeveloped countries because of their lower incomes and greater dependence on exports and imports, among other factors. This tends to further inhibit the investment there than in the developed countries. That is why we can expect increasing divergence in GDP *per capita* between the developed or central countries and the peripheral, underdeveloped ones, rather than the convergence predicted by neoliberal orthodoxy.

Like Post-Keynesians, Marxists also expect the increase of inequality with neoliberalism, but this time the cause is the increase of competition in free market economies. Competition leads to concentration and centralization of capital. Competition in capitalism uses modern technology to increase labor productivity, and so it is generally labor savings. The consequence is a lower level of employment, with reductions in personal incomes and increasing inequality within the countries.

Inequality also tends to increase across countries because this type of modern technology requires research for its development and implementation, which is very expensive. Thus, only the major corporations or those better succeeded in competition can pay for the extra profit obtained with their modern technology and lower costs. The argument is that success in competition itself leads to monopolies and oligopolies. As the first ones to implement new technology are mostly those located in the more developed or central economies, the success of the competition process is greater there than in peripheral countries. This is an idea rejected by orthodox liberal Von Mises, for whom it was State protectionism which created the monopolies.

While Post-Keynesian and Marxist economists doubt the social benefits of market liberalization, it is the main prescription of orthodox neoliberal economists for the economy. They see competition as the way to select the best allocations and to guarantee efficiency in organizing economic life. On the other hand, for neoliberal economists, selection and inequality are a normal result of competition. It is not considered a problem. On the contrary, for Hayek (1983, p. 61) inequality provides the finance for the production initially of luxury goods and services for the rich who are first consumers. Eventually, those become normal goods and services for the mass of the population.

Inequality is also not important in the current mainstream of economics. Lucas (2004, p. 12) affirms that “of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution”. For him, “the potential for improving the lives of poor people by finding different ways of distributing current production is nothing compared to the apparently limitless potential of increasing production”. It can be explained by the development levels tending to be reduced if competition rules. To increase production it is necessary to invest, which implies it is necessary to save. With the free market operation, savings tend to flow from developed countries where the investment opportunities are fewer and profitability lower than in underdeveloped countries. If the technology is more productive in the developed world, “the only way learning and technology transfer can take place is for producers to compete seriously internationally” (p. 12).

However, because of the dominance of these neoliberal ideas, the world economy shows substantial increase of inequality within and across countries, as showed by Piketty (2013). This makes the neoliberal ideas debatable.

Another proposition in ECLAC’s document *Horizontes 2030* (CEPAL 2016) is the need to increase world public goods. It says that “the building of global public goods, with their systems of governance and of national policies, is central to define the style of

development” (p. 26). However, whether public goods increase equality in the world is also questionable. Public goods, in orthodox view, are those which must be produced by the State because they are non-exclusive and non-rival. The non-exclusivity means that the demand for such goods cannot be restricted to only those who pay. Non-rivalry means that their consumption by one person does not reduce the consumption of another. There is no extra cost for provision of the good to the other consumers. These characteristics destroy the efficiency of the mechanisms of market equilibria, because it is not possible to satisfy its theoretical assumptions:

- a. individual marginal rate of substitution = price ratio = marginal rate of transformation; or
- b. marginal propensity to pay = price = marginal costs.

What we see here is ECLAC’s acceptance of a State role for the production of these public goods only as an exception, namely when the market mechanism breaks down. However, for heterodox thought, as we have seen, the problem is the market mechanism itself, used to govern the wider economy, and especially the role of competition, as we discuss in the next section.

#### **4.2 Philosophical Controversies on Competition**

In an excellent recent paper, Dardot and Laval (2016) criticize the neoliberal paradigm, particularly the role of competition. According to them, in the current neoliberal era, the competition model and the competitive behavior at the enterprise level spread out not only to the market and its economic allocations, but also to social relations, to the State and even to the individual whose behavior begins to imitate that of the enterprise itself. This is the basis of their criticism of neoliberalism, and of the dominance of its competition.

According to Dardot and Laval (2016), the neoliberal requirement of competitiveness becomes a general political principle and commands all the situations and fields. It is not true that the doctrine separates the State from the economy, because the State itself is needed not only to ensure the competitive market operations in the economy but also to provide an environment of economic competition in general. The final result is that the State adopts the same competitive behavior as if it were a private entity. Objectives, evaluation, results are imposed on State action, as if profit is the goal. Instead of an efficient provision of high quality public services, the criteria used by the State now seeks the reduction of costs and thus public expenditures as an objective, in order to maximize budget surpluses. The imposition of competitive behavior on the State operations means to conceive competition as the way of ensuring a high degree of efficiency and effectiveness to the State activities, as if it were a private corporation. In neoliberalism, this is the general view of how the State should operate.

Not only must the State act as if it were a private person, but it must also ensure competitive private practices in general, in its own State actions and in its legislative activity. The State must always respect the logic of private enterprise behavior.

It is also up to the State to intervene to ensure that the individual behavior is like an enterprise behavior. Private enterprise behavior comes to dominate the individual’s behavior with his family, spouse, retirement and security. He makes economic calculations to plan his and his family’s future. He chooses his education and qualifications, such that these will maximize the profit of his future employer. The individual becomes a sort of enterprise, interiorizing and imitating its competitive behavior. These behaviors together complete what is necessary to ensure a competitive society, making the competition even harder.

Now, this process can only lead to more inequality, because the objective of competition is to ensure the success of the best. That is why Dardot and Laval claim the consequence is a social exclusion logic which creates sub-citizens or non-citizens, and a

non-democratic environment. Inequality is thus the only outcome we can expect; the more competition and market power become the rule.

The increase of income inequality all over the world (Piketty 2013; Piketty and Saez 2014) is the consequence of such a neoliberal environment. This is the reason for the recent concern of ECLAC that its reduction must be the main conquest by 2030. It is also the reason for the increase of interest in topics related to income distribution. It is why we observe a resurgence of propositions to change society's logic to something more collaborative, cooperative and collective. Researches on these topics begin to be encouraged among academics.

Even in the mainstream literature, an alternative approach appears, outside the market logic, proposing not only public goods, but also common resources or simply the commons. In a famous book called *Governing the Commons – The evolution of institutions*, which gave Elinor Ostrom (1990) the Nobel Prize of Economics in 2009, she presented a new way of managing goods which are commonly held by a group of people, or when the use of such goods is shared by several persons. She showed that the best solution to manage these goods and services is neither privatization nor control by the State. Several empirical examples of collective management of natural common resources were shown. These examples cast doubt on motives like selfishness and individualism which dominate market logic.

Unlike pure public goods, Ostrom's common pools, or her commons, face congestion or overuse problems, because they are open access. What Ostrom showed was that collective management can prevent such overuse. Nevertheless, similarly to public goods, Ostrom's commons are also exceptions to the market system, while the heterodox ideas and analysis of such commons are even a more radically critical of markets, because of the serious problems posed by competition.

Gouverneur (2008), tries to outline how a more democratic society can be achieved. He points out that there are three types of goods: individual goods individually financed and consumed; the solidarity goods, publicly financed by taxes and individually consumed; and the collective goods, publicly financed and collectively consumed. He proposes a greater participation of solidarity and collective goods as a way of making the society more democratic. We can also agree that such a society where there is a significant presence of collective goods contributes to the increase of the common interest or the general will posed by Rousseau (2000).<sup>7</sup>

Gorz (2007), who considers himself a democratic socialist, analyzes the knowledge economics and its gratuity as a rupture that undermines capitalism in its core. That is also the case for Hardt and Negri (2010), with the constitution of a principle that allows overcoming capitalism. Either the commons of the material world (water, air, commodities, etc.) or the intellectual commons (knowledge, languages, information), or even what is produced by the immaterial labor, called the "commonwealth", announce and allow to build alternatives to a better society.

These last contributions have their theoretical source in Marx, although Marx himself is less explicit about such subjects. Coutinho (2011, p. 63), claims that Marx also conceives the ideas of association to manage and of general will, common interest or universal interest as a goal of an ideal society. Or in other terms, there is, in Marx, 'the possibility that the general will emerges' (Coutinho 2011, p. 63). First, with his idea of 'self-government of associated producers'; second, because to avoid the utopian vision of Rousseau, and the idealism of Hegel it was necessary to find a "material carrier of the general will", and also it

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<sup>7</sup> For a discussion of this subject see Mollo (2015 b).

was fundamental to transform the society to build this general will. This appears in the proletariat, as “a class where the particular interest has in itself the possibility of a real universalization” (Coutinho 2011, p. 63-64). In this sense, Marx was, on one hand, a critic of the market, where circulation is “the first form in which the social relation appears as something independent of the individuals (...)The social relation of individuals to one another as a power of the individuals which has become autonomous...” (Marx 1857, p. 133). On the other hand, he was a critic of the State in capitalism, because of its class character, what is meaningless in a society without classes.

In another philosophical matrix, based on Foucault (2004), Dardot and Laval (2014), continue to deepen the analysis by proposing to build what they call the common, a “singular word” that means what cannot be owned<sup>8</sup>. For them, after the formal subsumption of labor to capital, with the absolute surplus-value, and the real subsumption, with the relative surplus-value, we now have a subjective subsumption of labor to capital with the internalization of competition in the human individual action, the man acting as a market company or enterprise. To overcome this it is necessary to build the Common, as a political principle. The praxis must institute such a political principle.

The idea is that, as already anticipated by Marx, men make history in conditions not chosen. Thus to build the conditions to produce the global common some questions can be posed. How can one create the common rights susceptible to become costume? How can one impose the common by way of institutionalization? How can one attribute the rigidity of a norm to what exists in terms of the common? These are questions to answer, and ECLAC can have an important role in the discussion and analysis of the global common. The institutionalization of the global common must hence be the objective of an international institution like ECLAC, if it is to recover its progressive role. It is paramount to institutionalize the common already existent and to help the creation of a general common political principle in the world, or create the global common instead of global public goods as proposed by ECLAC. We can thus parody ECLAC by saying that the new objective must be the building of the commons, with its systems of governance and national policies. It is central to define the new development style.<sup>9</sup>

### **Conclusion: How to create and extend the political principle of the common?**

The reduction of inequality is necessary as a main objective of development, not only as a question of social justice but because it is necessary to evolve in the direction of the common interest or the collective will, a progressive goal of different philosophical matrices. The building of such an equity cannot be successful, as we analyzed in the preceding sections when competition is the rule, but it requires another logic. Some real current examples demonstrate the practical possibility of alternative organizations of society. Open access to some internet services widely used; the appearance of collective enterprise services; the empirical cases of collective management analyzed by Ostrom; or the case of Naples’s water supply, praised by Dardot and Laval, are examples of managed commons which need to be studied, publicized and copied.

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<sup>8</sup> For an English summary of Dardot and Laval ideas and the use of a singular word for common as a political principle, see Martin O’Shaughnessy, 2015.

<sup>9</sup> The parody refers to the sentence of CEPAL (2016, p.26), in which among the propositions to a new style of development includes “the building of global public goods, with their systems of governance and of national policies is central to define the style of development.

The institutional praxis is, according to Dardot and Laval (2015), “self production of a collective subject, inside and by the continuous production of rules of right” (p. 445). It is necessary to reflect on how to implement it in terms of human rights, economics, culture, education, and social protection. International institutions like ECLAC must lead the debate about how to build the global common as a political principle and global commons as goods and services that cannot be owned, as a way to achieve a real social transformation. It is a path to achieve real transformation, recovering the progressive character of human endeavors.

Starting from the existing commons, there must be a discussion of negative achievements and of alternative methods to solve conflicts in the collectives. Bringing together the experiences of different countries engaged in the process of building the global commons will be fundamental to its success. In a globalized economy, this discussion cannot remain within each country’s borders. An international institution is necessary, preferably one with a progressive history.

The main goal is the social transformation by way of a right of the common, defined as what cannot be owned by anyone. Not only can this solve immediately many environment problems, with the collective management of the sources of resources, but it can also transform society in a longer term, developing the common interest.

The common, however, is a place of conflicts, and that is the reason why it is useful to count on international institutions to intermedicate them; propose the solutions; promote cooperation and co-participation in its construction. Some questions become important. The prevalence of the world common enterprise association over the private enterprise. The co-participation of all in the decisions and in the creation of rules. The transformation of public services into open access services. The re-foundation of social democracy and the institutionalization of the world common are political propositions to create and develop it as a principle of government and it requires an institutional role. ECLAC can help to organize the collective action necessary to produce the global commons. Instead of simply proposing different roles for the State to avoid problems related with globalization and free markets, it is more constructive to go further and to propose the political discussion and the creation of common practices.

True economic development is difficult to achieve. It is stuffed with structural and institutional changes. In principle, there are no simple solutions to the problems involved, but a broad *corpus* of knowledge, a really progressive analytical foundation. This is a complex process. Even so, we should carry it on. Actually, “the challenge of the politics of the common is to move from representation to participation” as is pointed out by Dardot and Laval in an interview<sup>10</sup>. The challenge is also for the progressive institutions.

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<sup>10</sup> Translated Interview of Pierre Dardot and Christian Laval, to Interferencias blog, 3<sup>rd</sup> July, 2015. Translation in Cuning Hired Knaves, 2015, July 14, in <https://hiredknaves.wordpress.com/2015/07/>.

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