

Chapter 4

The Origins, Development and Current State of Territorial Policies in Latin America in the Twentieth and Twenty-First Centuries

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4.1 Introduction

This chapter is organized as follows: The introduction identifies the purpose of the document and redefines the concept of *territorial policy*. Next, a theoretical approach is described that includes a discussion of the nature of *territorial issues*, a fundamental aspect of policy interventions in the territory. The historical overview traces the origins of policy interventions in Latin America on the basis of two foundational experiences: the Tennessee Valley Authority, which was established by Roosevelt in the 1930s, and the *Cassa per ilMezzogiorno*, a development agency created in southern Italy in 1950. In each case, I present the most important Latin American replicas of those experiences. The section on paradigmatic territorial policies provides a detailed examination of the evolution of these instruments. Next, the discussion of the objectives of territorial interventions and their results reviews the goals that were set and the outcomes. My hypothesis regarding a more than evident failure explains the reasons why success was not achieved. The section on key events from the twenty-first century addresses new interventionist trends in Brazil and Chile and the World Bank's 2009 report on the global economy as a significant milestone from this century. Finally, the conclusions describe the overarching weaknesses of the approaches and interventions that have been developed thus far.

This article provides a general and transversal framework for reading the Latin American experience with the formulation and application of first, second and third generation territorial policies over a period of almost half a century. I look at the origins of these policies, which represent an essential point of reference if *path dependence* adopted as a hypothesis, as well as the theoretical referents, objectives and results, examining the causes of what could be called *a more than evident*

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failure. In the current century, we have witnessed the emergence of new approaches and practices that promise improved results. In this article, special attention is paid to the new role of civil society in the construction of regions.

It should be noted from the outset that the contemporary concept of *territorial policy* refers to a *set of policies or to a global policy goal* that includes four *mega-policies*: (a) territorial organization; (b) decentralization; (c) the *promotion* of territorial economic growth; and (d) the *promotion* of societal development in the various territories.¹ Each of these mega-policies includes diverse sets of *meso-policies* (e.g. territorial organization policy includes infrastructure localization policies, land use policies, etc.) and each one of these is ultimately expressed as a vector of specific instruments. This is an interpretation that is far more complex than the simple idea of a *territorial policy*, which refers exclusively to interventions concerning certain territorial sections which are called *regions* based on various criteria.

4.2 Theoretical Approach

From a functionalist perspective, as Talcott Parsons might say, all socio-economic systems seek to achieve three over-arching and immanent, irrevocable, and long-term objectives: (1) to systematically increase the capacity to produce goods and services; (2) to obtain a certain social stability that makes the process of savings and investment viable, a condition that is necessary in order to achieve the first objective; and (3) to maintain territorial sovereignty, a basic condition of the permanence of a national government.

In classical literature on planning, the clash between objectives and their obstacles is defined as a problem, and thus an issue that contributes to defining the field of intervention.

According to this reasoning, over the course of a country's evolution, a process that is framed within the logic of capitalism in the case of Latin America, several types of problems begin to emerge at different levels and with varying degrees of importance. At some point, a special class of problems will develop within this group: those defined by aggregate (national) objectives and impediments of an evident territorial nature. This in turn generates a set of problems that we refer to as *territorial issues* (formerly known as *regional issues*).

The objective of "systematically increasing production capacity" (the achievement of a sustained high rate of growth of the GDP) begins to be impeded by an excessive level of **territorial concentration of the means of production** due to the emergence of the phenomena of external diseconomies and agglomeration that surpass the increasing positive yields of concentration. The "problem of hyper-

¹ The fact that the word *development* is underlined is not coincidental: it denotes the change of the role of the government in neoliberalism.

territorial concentration of production and population” thus begins to take shape, and the effort to address it will take the form of a policy that seeks to reverse the situation by means of both positive measures (varied stimuli to peripheral localization) and negative ones (differentiated taxes, restrictions on industrial building at the *core*, etc.).

The goal of maintaining a social system free of recurrent extreme tensions in order to facilitate the process of saving and investment is threatened when the pattern of distribution of the results of the growth process is questioned. This is particularly true in relation to the unequal distribution of income, which shows, in all cases, a strong, *highly visible territorial component*, which in turn generates “the problem of territorial disparities in income, well-being and opportunities,” with their attendant social and political tensions. These may lead to the formation of frankly challenging political movements and center/periphery conflict in addition to causing migratory patterns that introduce true vicious circles in sub-national territories. Proposals for transfer policies, social endowments and distributive and redistributive policies will emerge in response to this.

The objective of maintaining the territorial integrity of the nation/government is threatened by excessive economic and demographic concentration accompanied by perceptibly higher income levels in the “center” of the system. This creates a political situation associated with a highly *unequal distribution of power* (in its variety of guises). Combined with Latin America’s Bourbon tradition in the shaping of the government, it results in the “problem of centralism” that is so evident in the sub-continent. According to Claudio Veliz (1982), this also feeds off of a true *centralist culture*. The government’s response will take the form of policies of deconcentration and/or administrative, political and territorial decentralization.

These problems, taken together or in individually, tend to appear at the intermediate stages of growth, and are inherent to them. This multivariate dynamic is typical of the evolution of all systems of social relations of production, in this case capitalism. Processes that are clearly positive during initial periods, such as concentration or centralism, become negative after a turning point and require the implementation of various forms of social self-intervention.

In Latin American countries that presented “early industrial evolution,” such as Mexico, Argentina and Brazil, the government’s response began to form half-way through the twentieth century.

4.3 Historical Overview

The above observations help to elucidate the rationality of territorial policies, but rarely does rationality alone support them.

At the global level, the first relatively explicit attempt by a national government to intervene in addressing the issue that is now described as a “regional problem” was the TVA (Tennessee Valley Authority). The project, which was undertaken in the United States in the early 1930s, was the work of Roosevelt’s government. The

TVA was enormously successful and influential, and its theoretical foundations were based on Keynesian economic policy. The establishment of the TVA was a typical Keynesian response to the crisis of 1929. As such, it was an intervention that, by nearly mathematical derivation, became the icon of regional developmentism (*desarrollismo*). After World War II, it would be followed by the creation of the *Cassa per il Mezzogiorno* in Italy, a clearly ideological state intervention (aiming to avoid the Communist Party's taking of Presidential power) and again, it became an icon of regional policy but for different purposes.

Scholars agree that Mexico has been the cradle of territorial policy development in Latin America since the establishment of the Papaloapan River Basin Commission in 1947. The body was created to manage approximately 47,000 km² of basin area. Its main objectives were linked to flood control, though several other objectives were eventually assigned to it. In fact, its authority included investment in hydraulic resources for controlling floods, irrigation, hydro-electric power and drinking water as well as the establishment of all sorts of communication systems for all matters of industrial and agricultural development, urbanization and colonization (Barkin and King 1970, p. 100).

Commissions would later be formed to intervene in the Grijalva and Usumacinta (120,000 km²) basins as well as Tepalcatepec (17,000 km²), Balsas (100,000 km²), Fuerte (29,000 km²) and Lerma-Chapala-Santiago (126,700 km²). Such entities would eventually cover over 20 % of the country's territory.

In Brazil, the National Department of Works Against Drought (DNOCS) created the Commission for the Development of the São Francisco River Valley (known as CODEVASF for its acronym in Portuguese) in 1948. It later formed the Commission for the Development of the Rio Doce River Valley Basin. In both cases, the strategy is very similar to the one that had been tested in Mexico.

Brazil also created the Office for Northeastern Development, or "SUDENE," in 1959. This is probably the most emblematic body in the area of territorial policy in Latin America (de Oliveira 1977). The name of Celso Furtado and his *Northeast Operation* had been linked to the creation of SUDENE. Next steps were the Offices for Amazon Development (SUDAM) and the Manaus Duty Free Zone (SUFRAMA). The decades that followed would bring similar agencies for the macro-regions of west-central, south-central and southern Brazil.

That same year, Argentina created the Federal Investment Council (CFI) through a constitutional agreement between the provinces, the municipal government of the City of Buenos Aires, the National Territory of Tierra del Fuego, Antarctica and the South Atlantic Islands. This is another agency that was considered an icon of regional development practice. Perhaps one of the most important features of CFI was the *exclusion* of the national government from the constitutional pact, which reaffirmed federalism and regionalism.

Another historic milestone which also became an icon in this field was the establishment of the Venezuelan Corporation of Guayana (CVG) in 1960. The entity was framed by the sort of philosophy of development and planning that was brought to the government of Venezuela in 1958 by President Rómulo

Betancourt. The development of the Guayana, project hinged on the foundation of a new city Santo Tomé of Guayana and on the development of hydro-electric power and iron and steel mining. John Friedmann wrote a classic text on the Venezuelan experience (Friedmann 1966).

The final stages of the first half of the twentieth century saw the creation of Colombia's Cauca Valley Development Corporation, first as an electricity producing company and later as a development agency. The La Sabana Autonomous Corporation was created soon after, followed by several departmental corporations that were more closely linked to issues of territorial organization.

By the 1960s, regional policies changed in their form and footing following the emergence of *national* regionalization plans that were more in line with the functionalist rationale described above. The policies would take on a more systemic character, opening up the field to two variants: (a) *intra-regional policies* and (b) *inter-regional policies*. A number of countries adopted this method, including Argentina, Bolivia, Brazil, Colombia, Chile, Mexico, Peru, and Venezuela.

Austrian economist Walter Stöhr took stock of regional development programs in Latin America in the late 1960s. He gathered information on no fewer than 75 programs in total and organized them into the following five categories:

- Policies for the decentralization of decision-making
- Policies for depressed areas
- Policies for the colonization of new areas of natural resources
- Policies for the development of border areas
- Policies for metropolitan areas and new poles of development.

The same author assesses the degree of implementation and success of these policies, and here his judgment is generally more negative. It would seem that most were more semantic than real (Stöhr 1972).

Later on, in the 1970s, an even more drastic change would develop in the field of regional policies. This issue will be examined in greater detail below.

4.4 The Paradigmatic Models of Territorial Policies

The influence of the institutional model of the TVA remained on the front lines for about a decade. By the mid-1950s, the "hydraulic" paradigm model would give way to another model, a European one that was founded more on political lines than economic ones. As we have already noted, the post-war period raised the possibility that the Communist Party could take control of Italy by means of accession to the presidency. Fear of this was one of the causes of the passage of the Constitution of 1947, which divided Italy into 22 regions. The strategy was to form territorial and political spaces in which the Christian Democrats could find refuge and strength and build resistance. The Communist Party never won the presidency, though it did gain control of several regions and cities that would later become the stars of Italian development (industrial districts). As part of the same political construction and

under the Marshall Plan, the U.S. pushed for the creation of a funding and projects implementation agency that would channel investment resources to the impoverished southern area of the Italian peninsula, where it was thought that communism would find a favorable environment.

The result was the emblematic Italian experience (*Cassa per il Mezzogiorno*). Between 1950 and 1980, the agency would receive the enormous sum of \$36 billion (nominal) earmarked for investments in infrastructure and industrial equipment for the south. *La Cassa* had considerable success in increasing per capita income in that region, but income in the north increased much more rapidly during the same period, exposing the duality of disparities in absolute and relative terms.

SUDENE would become the main replica of *La Cassa* in Latin America. Like its parent model, this institution owes its creation to political developments. It represents the Brazilian government's response to the social and political unrest caused by poverty that had developed in the northeastern region of the country. The situation had already created a powerful and menacing movement, *Las Ligas Camponesas*, which were led by Francisco Juliao (Juliao would later be co-opted by the system and become a federal deputy). Through Furtado, Kubistchek's government created a device whose main purpose was to make visible the transfer of capital from the center-south to the northeastern region, creating companies, entrepreneurs and employment. Francisco de Oliveira said -using clear Marxist language – that SUDENE made viable the expansion of Brazilian oligopolistic capitalist accumulation with a nationalist air while creating a local oligarchy similar to the one that was already in place, mainly in São Paulo. The tax exemptions created through Article 34/18 would be the main instrument for raising capital.

The “invisible hand” of the United States soon became visible: Hollis Chenery, one of the architects of the *La Cassa* model, and Stephan Robock, a prominent economist, would serve as advisors to the Superintendency and contribute decisively to its organization and the definition of its strategy. Later, according to Oliveira, “the action of the USAID in the northeast specifically aimed to undermine the authority of SUDENE by offering direct aid to state governments that were capable of politically opposing populist political forces, which were in turn labeled as ‘radicals’” (Oliveira, op. cit, p. 122).

The 1960s began, in a sense, with the Punta del Este Conference of 1961, which saw the creation of the Alliance for Progress. This was at that time that the U.S. used its power to veto the use of planning, transforming it into a legitimate instrument of progressive interventionism endowed with a supposed *fundamentum in re*. On the other hand, it was a decade marked by utopias, ideological visions (today the term is *metanarratives*) and a clash of ideologies, at least in Latin America. This confrontation involved various schools of thought and interpretation of development: dependency theory in its Marxist versions (Frank, dos Santos, Marini, Quijano) and non-Marxist ones (Cardozo, Faletto, Sunkel), and social modernization theory, which was mainly espoused by Gino Germani.

According to this latter position, the lack of development of Latin American countries was mainly due to a set of structural barriers that prevented these countries from following the path of progress already trodden by the industrialized

nations (there was an implicit assumption that a single path to development existed). The list of barriers included –rightly so, it seems – the educational system and land ownership. Educational and agricultural reforms were put on the agenda.

Another barrier, and one that is of particular interest in this field, was the low degree of internal integration of Latin American economies. The concept of low “internal integration” referred to *physical* integration, which was clearly very deficient; *economic* integration as the lack of a national market; and *socio-political* integration. These processes had not been completed during the construction of the nation-state, which led to a lack of a national framework of values and the precarious position of the government in its own territory. Colombia may be the best example of these shortcomings.

Although not included in the assessment of the lack of Latin American development made in the framework of modernization theory, one could easily take from it a recommendation that would be central to the design of territorial policies beginning in the 1960s: the advisability of modifying the political and administrative structure of national territories in order to create a sort of a new geographic policy that was more in line with contemporaneity. This would allow for the elimination of the old internal territorial boundaries of the Conquest and of a new political geography the Hispano-Portuguese colony which had ceased to reflect the contemporary organization of the territory. It was thought that this intervention would contribute strongly to improving internal integration conditions. *Regionalization* of a national scale comes onto the scene at this point. This process involved the definition of a comprehensive and exclusive division of the national territory which would serve as a basic framework for the implementation of national regional or inter-regional policies and intra-regional policies or simply regional policies. We must note that this proposal comes at a key time for the cognitive framework known as *regional science* developed mainly by Walter Isard in the United States (University of Pennsylvania), an elegant neoclassical synthesis of the contributions of European geographers and economists starting with von Thünen.

As often happens within the Latin American intellectual arena -particularly in the field of economic thought-, in most countries, an “all or nothing bet” in favor of regionalization comes to the fore. (Magical properties are attributed to certain economic models, and there is hardly any country of a significant size that will not make an attempt at regionalization, including Panama, which has only 57,000 km², and the Dominican Republic and Honduras, which are even smaller.) In some cases, such as Argentina, the respective proposal was based on the application of the gravitational models of social physics that were so widely disseminated by Isard. In other cases, such as Chile, the proposal combined ecological, geographic, and economic criteria. In all cases, the move constituted a political and social “experiment” imposed by the government but did not respond to any social demands and was markedly economist in character. In almost all cases, regionalization created regions *ex nihilo*.

In a sense, regional planning entered a golden decade in the early 1960s. This period also saw the advent of very significant political change in countries like Colombia, Chile, Panama, Peru and Venezuela, where government control was

transferred to single parties, party coalitions or military factions. In general, these entities shared their adhesion to Social Democratic or Christian Democratic political positions and could be described as progressive and modernizing governments (although the conciliation of these terms with a dictatorial practice would be difficult to carry out). There is also a link in generic terms to the ideas of social modernization. As such, there is a certain tendency towards regionalization. In the case of Chile, Frei was always a fervent supporter of the regions as entities that helped to balance out the excessive weight of the capital. Once regions were defined, specific policies for the whole and the components of the system relied heavily on Paul Rosenstein-Rodan's central idea of *a great destabilizer and multiplying boost* and François Perroux's concept of *poles of development*, an industrial destabilizer.

The 1970s bore witness to the enthronement of de facto military and right-wing governments, which destroyed the idea of planning. In some cases, such as Chile, formal regional planning would continue until 1978. This effort was supported by the military, which took charge of CONARA (the National Commission on Administrative Reform) until economists belonging to the group known as the Chicago Boys (in reference to their *almamater*) took full control of ODEPLAN (the National Planning Office). A thorough examination of the experience of the military government is found in Boisier (1982).

From this point on, Chile's national regional development policy would take other directions. In general, it disappears from government discourse and is replaced by a kind of *non-strategy* that transfers responsibility for regional development to the regions by removing the government's role on this area. A kind of subliminal message was sent from the center to the peripheries, often without a clear target audience: *From now on, responsibility for development is in your hands; take note of the external opening of the economy and pull yourselves up by your bootlaces, and understand that the State is limited in its ability to ensure the permissiveness in the exploitation or over-exploitation of both natural resources and also manpower. Try your best!* Prominent Brazilian SUDENE economist Tania Bacelar de Araujo has been a harsh critic of this self-marginalized position of the government, and has denounced this *laissez faire* policy for leaving less competitive regions adrift.

Regionalization began to unravel throughout the region with the exception of Chile. Over the years, however, a kind of regionalist reorganization emerged in several nations. In Argentina, the constitutional reform of 1994 opened the door for *adjoining* provinces to form regions (as occurred with the formation of the Patagonia Region, which is composed of five provinces and a regional capital, Santa Rosa de la Pampa, and the Central Region). The five macro-regions of planning disappeared in Brazil. In Colombia, Article 306 of the Constitution of 1991 made the establishment of regions mandatory. This was achieved through the association of adjoining departments (RAP regions, Administration and Planning). The five CORPES (Regional Council of Economic and Social Planning) regions that were created in 1985 disappeared. In Bolivia, *departamentos* were reinforced. In Peru, the sophisticated regional institutional architecture created by Alan Garcia in

his first term of office was erased at a single stroke. Meanwhile, the Constitution of 1993 allowed for the formation of regions based on voluntary association of neighboring departments. This occurred in Argentina in 1994.

Ray Bromley (1990) made a significant contribution to this field through his article “Development, Underdevelopment, and National Spatial Organization,” in which he provides the perspective of a British geographer with an extensive knowledge of Latin America.

Roberto Camagni, a leading Italian specialist, has prepared a sequence of the most common regional intervention concepts (see list below). It should be noted that Latin America is following the same conceptual path but with a significant time lag.

KEY CONCEPTS IN LONG-TERM REGIONAL POLICIES

1950-1960	Infrastructure as a condition for growth
1960-1970	Attracting inward investment, development poles, exportation bases
1970-1980	Endogenous development: Small and Medium Size Enterprises, local competences
1980-1990	Innovation, technology diffusion, innovative methods
1990-2000	Knowledge, intangible factors, collective learning
2000-2010	Relational capital, interconnection, local culture, electronic labor

Poland’s Katarzyna Dembicz (2005, pp. 149–164) provided a lucid examination of the contributions of ECLAC in regard to the concepts of region and regional development in Latin America.

4.5 The Objectives and Results of Territorial Interventions

As we have seen, the multiple programs that were created in order to promote growth and development in the territory were based on various paradigms. Overall, they proposed a limited and more or less standardized set of goals.

The first of these is an *instrumental* objective: the implantation of a new political/administrative division of the territory, *regionalization*, which is clearly an instrumental objective or measure that, in the minds of many, became the ultimate goal.

A second common goal was limiting the expansion of large cities or the largest city in each case. The purpose of the *control of-metropolization* was to reduce both the volume of internal migration and the already visible social costs associated with sprawl and the exponential growth of the main center of each country.

Third, great importance was given to a vague notion of equality expressed as the need to reduce *territorial disparities* in per capita product, income or well-being. As we have noted, this objective was not removed from considerations of national political and institutional stability.

The fourth goal was that of the *decentralization of decision-making* in the public and private spheres, though this was presented in a rather vague manner. Even basic or theoretical knowledge of Latin American centralism was very limited.

Last, *regional development* appeared as an objective as the end or teleological result of the four preceding goals. It was presented as a process with two scales. The first was *national or inter-regional*, with a systemic conceptual background, and the second was *regional*, which refers to each one of the regions and addressed the impossibility of equal relative growth.

An assessment of the level of achievement of these objectives in the long term shows of the limited nature of the results.

By the late twentieth century, Chile was the only Latin American nation that presented the constitutional and political consolidation of regionalization. The Constitution of 1980 and subsequent reforms stated that “Chile is a unitary state. Its territory is divided into regions. Its administration will be functional and territorially decentralized, or deconcentrated where appropriate, in accordance with the law.” (Article 3) Peru (1996), Nicaragua (1996), and the Dominican Republic (1996) appear together with Chile in an undated UNDP report on the subject, but it was noted that in 1993 the Peruvian constitutional reform eliminated the regions and the political and administrative structures established during Alan García’s first government. Noted politician and Peruvian specialist Manuel Dammert (1999) maintains a position that is completely contrary to the one presented in the UNDP report, though it is true that in 1998 Congress approved a *Framework Law for Decentralization* in an effort to “departmentalize” regionalization. But in any case, it seems more accurate to note that in the year of the UNDP report’s publication, only Chile, Nicaragua and the Dominican Republic could present *de jure* regional structures, and if one takes into account the size of these countries, it would not be unreasonable to point to Chile as the only relevant case in function of its geographic size.

Secondly, the purpose of setting limits on metropolization and urban primacy failed outright. It is well known that Latin America is characterized by a high rate of urbanization (84 % in South America and 72 % in Central America). This process is developing quickly in the region, which presented a rate of urbanization of 1.6 % annually between 2005 and 2010 (Population Division, Department of Economic and Social Affairs, United Nations 2011). As has been observed elsewhere, even the inability to contain metropolitan growth has led to the introduction of new words such as *megalopolis* and *megalopolization*. The figures show that the percentage of the population that lives in large urban areas has surpassed 47 % in Mexico, 48 % in Brazil, 42 % in Argentina, 42 % in Peru, 39 % in Chile, 34 % in Venezuela, and so on (see www.unpopulation.org). In some cases, the population figures for the largest cities exceed 20 million inhabitants.

The hopes for a shift in the economic model, in the spread of post-Fordism and in decentralization have not become a reality.

Third, the reduction of territorial disparities in per capita product and income, another objective noted above, was an issue that merited the attention of empirical analysts from early on. This was the case with Gilbert and Goodman (1976) for Brazil and the northeast; Leon for Colombia, Panama and Venezuela; Martin (1984) for those same countries based on Leon; and Boisier and Grillo (1969) for Chile. Currently, the issue has been taken up with the vision of convergence/divergence analyses. Luis M. Cuervo (2003) prepared an excellent review of the “state of the art” for ILPES to which we refer the reader with an appetite for numbers. The most general conclusion is that there is no clear pattern of convergence in Latin America; rather, convergence containment patterns appear. The ILPES study written by Ivan Silva (2003) offers an even more complete overview of the disparities, territorial competitiveness, and local and regional development in the sub-continent and is recommended reading. A more recent and complete study on Chile that includes mathematics which are only for the initiated was published by Robert Duncan and Rodrigo Fuentes of the University of Wisconsin and the Central Bank of Chile, respectively (2006, pp. 82–112). The document presents two points of view and a comprehensive bibliography featuring many Chilean publications on the topic.

Empirical evidence provided by Duncan and Fuentes tends to support the hypothesis of convergence in per capita GDP both in terms of *beta* convergence (convergence in levels) and *sigma* convergence (convergence in the dispersion).

However, this result is accompanied by slow rates of convergence of slightly less than 1 %, implying that the time needed to halve the gap between “rich” and “poor” regions is between 81 and 96 years! It is difficult to appreciate the practical utility of studies of this nature.

One of the most important empirical studies on territorial disparities in Latin America was prepared by Emmanuel Skoufias and Gladys Lopez-Acevedo for IBRD/World Bank (2009, p. 9). It states that:

The eight Latin American countries examined in the study show significant differences in poverty rates in and within regions. For example, some countries such as Brazil and Peru have large differences in poverty rates both within and between regions, while other countries such as Ecuador, Guatemala and Nicaragua have higher differences in rates of poverty between urban and rural areas than within regions in general.

Each country has a clearly determined “leader” region and one or two straggling regions. People living in straggling regions experience even higher levels of poverty, as measured by poverty rates, levels of well-being, and consumption rates. In an extreme case, some regions of Brazil have poverty rates slightly above 10 percent, while others are above 50 percent. Mexico and Peru also show large differences in poverty rates in the regions. In all of the Latin American countries analyzed, poverty rates are higher in rural areas than in urban ones, with very high rates in straggling regions, such as the Northeast of Brazil, the South Pacific states of Mexico, the Andes mountains in Peru, and the Pacific region of Colombia.

Fourth, the objective of decentralizing public and private decision-making systems has demonstrated an erratic temporal trajectory as a result of serious

limitations in the culture, the tradition of government organization, the sub-culture of public administration, and Latin American's individualist mentality. The latter was inherited from the model of rule by rural landowners in which the peasant (later to become the urban worker) cultivated a model of dependence with respect to the land owner and later the government. The distinction between federal and unitary countries is naturally mandatory in this area. Ivan Finot (2001) prepared a careful study for ILPES in which he reviews the "state of the art" in this field which we recommend for all readers. Ultimately, however, we must recognize that progress in decentralization – where there is progress – seems to respond to changes connected to globalization and neo-liberalism rather than to the strength of the statements.

The final objective encourages regional development processes in the region's countries. It has always failed from the standpoint of evaluation due to the vague, inexplicit nature of the objective itself. However, if we use a criterion that is very simple but not without rationality, namely, describing *regional development* as processes that generate or promote cities (as a "device" for a region, to use Mumford's terms) that become competitive centers in the process of capitalist accumulation of one (or a few) traditional and historical accumulation centers, one could tentatively state that there has been a process leading to a condition which could be classified as "regional development."

If this criterion is used to take a new look at the map of Latin America, we see that situations like the one described are seen in Monterrey and Guadalajara in Mexico; Medellín, Barranquilla and Cali in Colombia; Guayaquil in Ecuador; Arequipa in Peru; Concepción in Chile; Mendoza, Rosario, and Cordoba in Argentina; Santa Cruz in Bolivia; and São Paulo in Brazil. However, a more detailed analysis would reveal that the thrust of development in most of these cities/regions began in the nineteenth century, before there was talk of regional policy, though there could have been implicitly.

Based on a more contemporary understanding of development, the following cases should be highlighted: Neuquén in Argentina; Ceará, Santa Catarina and Paraná in Brazil; and San Pedro Zula in Honduras along with cases arising from the action of the "developmentist government" such as Córdoba in Argentina and Concepción in Chile. In any case, the results, once again, are quite precarious. Something has not worked out as planned.

4.6 Hypothesis of a More Than Evident Failure

Disappointment caused by the poor performance of regional policies has led to extensive discussions of its possible causes. These discussions were not without ideological approaches, at least in the beginning.

First, we must mention – and only a mention is sufficient – radicalized sectors' thesis of the impossibility of relatively harmonious regional development in the context of the capitalist system at least until the late 1970s. This thesis would not

have held up under even the most basic theoretical examination and was not at all validated by empirical evidence.

Next, a hypothesis was presented concerning coherence between the *styles of development* and *regional policies*. This discussion was held at an important seminar in Bogota in 1979 during which participants concluded that most regional policies had been conceived as highly functional in terms of the style that had begun to gain ground, a style heavily biased towards economic growth. This went against the suppositions that had been made. Some of the papers presented at that seminar (including those of Hilhorts, Uribe-Echevarría/Helmsing, Boisier, Haddad, Pineda, Stöhr, and others) helped highlight coherence and opened up new avenues for reflection in view of the empirical results.² In recent years, regional policies strongly associated with international competitiveness have been perfectly consistent with external liberalization and globalization, at least in discourse, even though this has meant that the less favored regions have been neglected.

Certainly, the political and economic policy “discontinuities” that prevailed in Latin America from the mid-1970s were also noted as possible causes of the results.

A first look at the search for an operational causality – that is, explanations that clearly give rise to new forms of intervention, and not a self-contained explanations – must point to the following: if the processes of growth and development in the territory are understood as *complex evolutionary processes*, as real systemic emergencies associated with evolutionary complexity, then it must be admitted that causality is *also complex* by explaining successes or explaining failures, as Rubén Utría states in a book on the development of nations (Utria 2002).

This leads us to argue that a whole range of causal factors comes into play, from the kind of international integration that a country presents, with the entire system of domination/dependency that is usually involved, to the national economic policy (macro and sectoral) to the culture and behavior of specific stakeholders and agents. However, here a selective analysis that intends to point to two *radical* causes (in the sense of being at the root of the matter) are given priority and have been exposed on numerous occasions and still have not, to this day, been rejected. It is important to keep in mind that lessening the complexity of an operation is fraught with danger, given that, as per Cartesian dualism, this reduction in complexity dilutes the very question being considered and eventually makes it disappear.

Beginning with a strict differentiation between the concepts of *growth* and *development*, that were framed initially in a synonymy (since at least the time of the Atlantic Charter signed by Churchill and Roosevelt in 1941), it became increasingly clear that the most significant specific difference between them was relegating the concept of growth (as a process and government) to material achievements (certainly important in and of themselves) while the concept of development is linked to immaterial, intangible, subjective, and value-related achievements

² See *Experiencias de planificación regional en América Latina: Una teoría en busca de una práctica*, 1981. Compiled by S. Boisier, F. Cepeda, J. Hilhorst, S. Riffka, Uribe Echevarría, ILPES, SIAP, Santiago de Chile

strongly influenced by the thinking of Seers, Sen, Goulet, Furtado, Hirschmann and others.

A precise definition of development was not available (and is one available now?). This has led to a lack of understanding of its structure and its dynamics. Even worse, development on the sub-national scale had a great deal of scale reductionism, which led to a failure to recognize the qualitative changes between scales. The lack of a definite *corpus* makes interventions mere bets; the desired results may be achieved, but surely these will result from chance, from good luck.

Even on firmer theoretical ground concerning growth, current theorizing about *endogenous growth* at the sub-national level has been adopted a bit lightly, ignoring issues such as the considerable degree of systemic openness of sub-national societies and their also systemic insertion in areas of high command –the country and the world-, levels at which major initiatives are undertaken. (For example, this may include the specification of the framework of the economic policy, the specification of a “country project,” or long-term national project, regulations of various forms, investments, etc. etc.).It neglects the fundamental fact that the growth process (and also development) is the result of an *enormous decision-making structure* that involves a multiplicity of “agents.” When the elemental question of where most of these agents are found is asked, the answer is unequivocal: *outside of the territory (region, province, neighborhood, etc.) in question*. As a result, economic growth in the territory should be considered highly *exogenous* regardless of whether knowledge and technical progress adheres to a strictly economic rationality.

From a strictly theoretical point of view, it has been argued (Boisier 2003) that both growth and regional development are *systemic emergences*. In the case of growth, such emergence arises from the intense interaction *of the system with its own environment* (with the decision-makers in charge of capital accumulation, technical progress, human capital, external demand, the formulation and implementation of economic policies, and design of the “country project” if it exists). In the case development, due to the strong interaction *between the subsystems of the system* (axiological, accumulation, organizational, procedural, decision-making, and subliminal subsystems whose interaction (synapses) depend on the complexity of evolution). This reasoning supports the *exogenous* growth thesis as well as the *endogenous* development theory.

Theory and practice in the area of interventions designed to encourage development have been steeped in positivism (with all of the limiting assumptions of this paradigm) and analytic Cartesian thought, ahistoricism, and action programs such as “disjointed instrumentalism” *à la Lindblom*. They are impregnated with a belief that development results from the *sum* of projects and programs, rather than the result, metaphorically speaking, from the *multiplication* of cognitive social synergy.

The key to designing successful territorial interventions, which necessarily assume their consonance with contemporaneity, probably lies in considering that processes of social change in the territory (growth + development) require *decentralized* interventions in order to maximize the endogeneity of the of

processes (we already know that it will be relatively low in the case of growth and high in the case of development). The requirement is broad decentralization in institutional terms, i.e., in the public and private spheres, and simultaneously political and territorial in nature (governments with the autonomy to govern, endowed with resources and legitimate authority, having been elected by the people). Without understanding decentralization as such, it would be difficult for the indispensable public/private associativity to emerge, and it has been increasingly recognized as a necessary condition for generating the social energy required to trigger and sustain the process of change.

4.7 Key Events of the Twenty-First Century

4.7.1 *Globalization and Geography: Tension Between Change and Conservation*

Globalization, that Buñuelian *obscure object of desire* which we all want to capture,³ is a game in which everyone (individuals, organizations, territories) is required to participate in order to survive or avoid death, where possible. By decoding the concept of globalization, we find a systemic process that is not determined, as some naively believe, by a perverse conspiracy of world leaders located in different areas and parts of the world. Rather, far from Manichaeist simplism, globalization is nothing more, for better or for worse, than *the current techno-cognitive phase in the development of the capitalist system*. This system began in the Netherlands back in the seventeenth century as commercial proto-capitalism. A century later, it would give way to industrial capitalism in England and then morph into financial capitalism in the twentieth century mainly in the United States and most recently into techno-cognitive capitalism, as can be seen in several locations around the world.

This phase, which cannot even be considered as a final phase or the end of history, shows the interaction between two underlying processes that are the main cause of what appears as *globalization's world economic landscape*. The key elements of the landscape are the intense external opening of economies, gradual replacement of material elements by information as the currency of international trade, and mobility of capital, people and knowledge,⁴ including the transformation of the structure of the distribution of political power at both supra-national and sub-national levels, allowing for decentralization. The two underlying processes referred to are: (i) the exponential systematic reduction of the life cycle of

³This does not mean that it is a matter of greater free mobility. On the contrary, knowledge is increasingly privatized, to say nothing of capital.

⁴This metaphor should be understood as referring to the cognitive and innovative nucleus of globalization.

manufactured products, and (ii) the exponential systematic increase of the added cost of research, innovation and marketing.

Given that the capitalist system is a social system, it does not escape the tight categorical imperative inscribed in the genetic code of all biological and social systems: its permanent reproduction. As Althusser⁵ once said, “Therefore, the final status of production is the reproduction of the conditions of production.” In order for this to occur, the system must recover the resources spent on the research, development and marketing involved in the transition process from “n” product generation to “n+1” generation, in modern parlance, as quickly as possible. As a result, the system does not tolerate borders, customs, tariffs, para-tariff ruses, or other mechanisms that hinder the formation of a *single trade area* that will go hand in hand with *multiple spaces of production*.⁶ One can now understand the search for more and more bi- or multi-lateral free trade agreements.

4.7.2 *Three Events That Change History*

The years 2005, 2007 and 2009 brought new milestones in the field of territorial policy in Latin America.

The first event occurred in Chile. In August 2005, the Constitution of Chile was modified in order to remove Article 49, which had established the existence of 13 regions in Chile. This text rigidly divided the country into regions and made it impossible to create new ones. The modification was orchestrated by civil society in the province of Valdivia, part of the Lakes District in the south of the country. For 30 years, the entity had demanded the right to dismantle the current regional structure in order to establish a full, legitimate region. In October of that year, the President signed the bill to create the Rivers Region, which was enacted by Law 20.174 on March 16, 2007. All of this occurred in the country that is most tightly bound to the political model of a unitary, centralist, and presidential government in Latin America. The regional government was installed and began to execute an unprecedented process of development strategy for the region with broad citizen participation and methodological support from the highest level.

Finally, Law 20390 was passed on October 16, 2009, establishing the direct election of Regional Councilors. On October 12, 2011, the President sent a message (133–159) to Congress containing the bill to amend Law 19175 (the Statutory Law of Government and Regional Administration). It is currently being discussed in Congress and may allow for the direct election of Regional councilors by October

⁵ Althusser L. *Ideology and ideological state apparatus, Freud and Lacan*, 1969, <http://www.sociologia.de>

⁶ Certainly, the logic of the system does not always match the logic of its individual actors. This explains behavior and ambivalence in the discourse and in the practice of free trade by the more industrialized countries. However, there can be no doubt as to who will impose their logic. This temporal contradiction had already been noted by Gramsci.

of this year. The country would then move from territorial decentralization of the regions to a form of decentralization that is also political.

The second of these events occurred in Brazil. In this case, the date February 21, 2007 becomes a symbol of another revolution in Latin America. On that day, President Ignacio “Lula” da Silva signed the Presidential Decree 6047 *re-establishing the federal government’s obligation to design and implement a National Territory Policy*, an issue that had disappeared from the national political agenda at the beginning of the twenty-first century. This Decree grants political and legal recognition to the new meso-regions formed as a result of civil society initiatives (initially in southern Brazil). These entities are composed of regions of adjoining territories belonging to different states. For example, the first of these is the MERCOSUR Northern Border Meso-Region, which includes the states of Rio Grande do Sul, Paraná and Santa Catarina, adjoining territorial sections. A real regional revolution!

According to Decree 6047, the National Policy for Regional Development defines regional development strategies in the following territorial scales:

- (a) Macro-regional scale, for which the Superintendents of the North, Northeast and Central-West were recreated and identified as priorities
- (b) Sub-regional or meso-regional scale, which is based on the definition of the *differentiated meso-regions* (currently 13 differentiated meso-regions and nine sub-regions)
- (c) The semi-arid area, border area and Integrated Development Regions (RIDEs) are defined as priorities.

The greatest contribution to the issue of territorial development in Latin America found in the Decree is most likely the definition of the *Differentiated Meso-regions*. It states that: “. . . Differentiated Meso-Region is understood to mean the continuous sub-national space, smaller than existing or proposed macro-regions, with a common identity, which includes areas of one or more federal states, defined for purposes of identifying potential strengths and vulnerabilities that will guide the formulation of socio-economic, cultural, political, institutional and environmental objectives.”

Not all the contents of Decree 6047 are worthy of praise. Its greatest weakness may be the lack of *completeness and uniqueness* that all *national* regionalization *must respect* in the interests of consistency of national territorial development policy. This is also a necessary condition for the mathematical modeling of some aspects of this policy.² It might seem at first glance that Brazil presents a high degree of decentralization given that it is has a federal government. However, history does not support this thesis at all.

As Celso Furtado (1999) argues, “We must recognize that centralism was instrumental in the formation phase of nationality and, to some extent, in the construction of an economic system that is integrated enough to allow for the absorption of modern technology. In a country with low income levels, regional fragmentation of the domestic market was a serious obstacle to the formation of an

industrial system.” He adds, “You cannot ignore the fact that the historical mission of centralism is spent.”

A group of case studies that offer a wide range of analyses is found in the book *Políticas de desenvolvimento regional: desafios e perspectivas á luz das experiências da União Europeia e do Brasil* edited by Clelio Campolina Dinitz (2007). The study by Bandeira, Araujo, Becker, Haddad, and Galvao is particularly important in this field. A recent and significant contribution to studies of Brazil is the book *Governança territorial e desenvolvimento* (Dallabrida 2012).

Rui de Britto Alvares Affonso (1999) discusses the recurrent tension between centralization and decentralization (*decentralization by demand and decentralization by supply*) in Brazilian history. *At the end of his study he states*, “The remaining problem is the absence of an integrating perspective that is broad enough to restructure the foundations of the federative pacts in a context in which conflicts between spheres of government and the regions are expanding. The problem is compounded by the profound changes underway in the Brazilian economy, society, and in its international insertion.”

One of the objectives of a national territorial development policy in a country like Brazil is to complete the construction of the nation in a global context that questions the importance of national governments, as Bertha Becker, the outstanding Brazilian geographer, writes. In that sense, Decree 6047 is a step ahead of the trend that was anticipated in the Constitutions of Colombia (1991), Peru (1993) and Argentina (1994).

All of these countries are pushing for a new form of regionalization through the formation of *associative regions*, between adjacent sub-national territories. They are introducing a strong democratic content by basing their efforts on the initiatives of the communities. The Colombian process, which is expressed in Articles 306 and 307 of the Constitution of 1991, is stopped. That is not the case in Argentina, where the Patagonian Region and Central Region have already been formed. The situation of Peru is similar. It has seen the formation of the La Libertad region in the north of the country. It is clear that what lies ahead is a gradual expansion of these examples, which the current economic crisis will favor given the need to expand the range of anti-crisis measures, not only from national governments, but also at regional level. Clearly, a country the size of Brazil, with its federal policy-making, can live with the problem of coordinating large and disparate systems.

The third event occurred in Washington. It concerns a report on the world economy that was published by the World Bank in 2009.

The World Bank publication, *World Development Report 2009*: was quite surprising. The first sentence of the Preface signed by Robert B. the World Bank President, reads as follows: “Production is concentrated in large cities, advanced provinces and wealthy nations.” It may be said that the Bank has abandoned its belief in territorial floating economy, a belief so entrenched in many international organizations, even those that were icons of developmentist thinking decades ago. Many now highlight the importance of “the three Ds” (density, distance, and division) in development and promote *balanced growth and inclusive development*.

This “three Ds” approach provides a novel view that is not without interest and merit. For the World Bank, *density* is the most important dimension at the sub-national or local level, and indeed it is! Certain sizes and scales are essential for generating economies of scale and external economies, and proximity is a key factor in associativity in that it is a facilitator of trust (social capital). *Distance* from density is the most important dimension at the national geographical scale. The distance between prosperous areas and those which are lagging behind is crucial in efforts to disseminate progress. In this case, the reduction of the cost of overcoming the friction of this distance is an important tool, as is favoring labor mobility. According to the World Bank, *division* is the most important dimension from an international point of view. The concept of “division” is used here to denote the divisions associated with the impermeability of borders and differences in currency and regulations that hinder international trade. The race to sign bi- or multilateral free trade agreements is proof of this.

Of course, the World Bank has spoken *urbi et orbi* from its Washingtonian cathedral and the world must behave according to this new behavioral norm. We must pay attention to the territory. Welcome to the territory!

From another angle, the World Bank paper that I have cited has an impressively limited bibliography. Paul Krugman is not cited anywhere, not even in a footnote, despite the fact that he was the clear inspiration for the change in perspective. The same is true for Perroux, Boudeville, Rosenstein-Rodan, Myrdal, Hirschmann, Friedmann, Furtado and many other creators of thought on territorial development. ECLAC (Economic Commission for Latin America), which houses, *malgré tout*, ILPES (the Latin American and Caribbean Economic and Social Planning Institute), the clear Latin American institutional center which shares the approach that has now been (re)created by the World Bank, does not merit a reference either.

4.8 Conclusions: A Theory in Search of a Practice, or a Practice in Search of a Theory?

This is not a play on words but a fundamental question regarding the task at hand. In fact, the aforementioned seminar held in Bogota in 1979 was entitled *National Strategies of Regional Development*. The book that was produced as a result of the event was called *Experiences of Regional Planning in Latin America: A Theory in Search of a Practice*. Both titles reflect what seemed to be a vision of consensus: there is more theory than successful practices. Over time, this judgment has been called into question.

Three factors stand out as shortcomings: the lack of a *government policy* regarding territorial matters, the lack of scientific knowledge of the field in question, and the attachment to productive structures based on comparative advantages. There are several other issues to which I cannot refer given the limited space available to me in this format.

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