A CENTRAL AMERICAN TRIPTYCH:
Three Views of the Integration Process

ECONOMIC INTEGRATION IN CENTRAL AMERICA: EMPIRICAL INVESTIGATIONS. By JEFFREY B. NUGENT. (Baltimore: The Johns Hopkins University Press, 1974. Pp. 209. $14.00.)

REGIONAL INTEGRATION IN CENTRAL AMERICA. By ISAAC COHEN ORANTES. (Lexington, Mass.: D.C. Heath and Co. Lexington Books, 1972. Pp. 126. $10.00.)

POLITICS AND PLANNERS; ECONOMIC DEVELOPMENT POLICY IN CENTRAL AMERICA. By GARY W. WYNIA. (Madison: University of Wisconsin Press, 1972. Pp. 227. $15.00.)

One way of going about the analysis of regional integration processes is exemplified by Nugent's *Economic Integration in Central America*. From the outset the study limits itself by explicitly "excluding considerations that are primarily 'political' or 'social' in nature and by confining . . . [the analysis] to the macroeconomic level, thereby leaving to future researchers the tasks of explaining the effects of economic integration on economic structure and on the distribution of income and wealth among individuals and groups, etc." Since one of the objectives stated in the preface is that of assessing "the impact of the Central American Common Market (CACM) on each of the economies of the region," many readers might have expected the impact of integration on the economies of the region to include just such things as the items excluded, such as changes in economic structure, income distribution, and the like. The few paragraphs of the concluding chapter that touch, somewhat obliquely, on these issues do not reverse the author's announced intention to disregard them in his analysis.

Another characteristic of this particular genre of economic writing is typified by the assertion, a few pages later, that aside from four cited recent studies, "all of which are limited to very specific aspects of integration, the Central American experience remains relatively unexplored." Thereupon, in a footnote, the well-known analyses by such scholars as Wionczek, Castillo, Hansen, Pincus, Schmitter, and several others are airily dismissed with the statement that "there is, of course, the usual plethora of descriptive or institutional studies."

Despite the methodological myopia implied by these strictures, there is substantial value in Nugent's book. For one thing, chapter 1 supplies a handy overview of some aspects of the Central American experience with integration. For another, chapter 2 affords a useful and succinct review of economic theorizing on integration from Viner and Meade onwards. Moreover, taken on its own terms, the adroitness with which Nugent employs refined econometric techniques to estimate both trade and policy coordination effects is altogether admirable. The dimension so worthy of admiration, however, is an aesthetic one, rather like the skill of a master chess player. Actual substantive contribution to social analysis is another matter.

One of Nugent's conclusions is that integration may have raised the region's income growth rate by about 0.6 percent per annum. Further, he believes that the potential benefits of policy coordination among member countries might amount to as much as 3 or 4 percent of the Gross Domestic Product of the region as a whole (through the more expansionary monetary and fiscal policies that would be permitted by policy coordination). But these findings aside, owing to the peculiarly sterile conceptual vocabulary of mainstream capitalist economics, the clever econometric exercises of this book display all the hallmarks of a type of neo-scholasticism. Noneconomists will need to keep in mind that, in the special world of this type of economic discourse, "welfare" is used in such a limited way that it bears little if any resemblance to what may commonly be understood as welfare in everyday discussion. By the same token, the study rests solidly on the characteristically bourgeois conception of "benefits" which pervades so much of contemporary economic analysis emanating from the United States. Thus, Nugent devises admittedly eye-catching ways of measuring the "benefits" of an integrated trading region and of the "welfare" contributions of policy coordination measures, with never a question about the content of this sort of economic growth (growth of what) nor of the possible effects of this growth on the relations of production (growth for whom). Indeed, considered from the vantage point of, say, those who endure the oppression of the peasantry in some of the Central American regimes or of those privileged to observe first-hand the garish *roi soleil* style of the Somozan dynasty, what Nugent interprets as beneficial may be offset by extraordinarily high social opportunity costs of at least three sorts.

First, as a short-term cost, there is the frittering away of resources to produce a more abundant supply of consumer superfluities for the ruling classes and their satraps; in the process resources are diverted away from what, in a less class-constricted outlook, would surely be viewed as more urgent social needs. To the extent that this consumptionist diversion hinders social capital formation and postpones the elimination of mass poverty, there is, of course, a long-term cost as well. Third, by its possible contribution to regime stabilization and consolidation of the structure of class relations, integration has very probably added a new set of claimants (industrialists and their middle-class employees) to the queue for GNP, ahead of the majority of the population. It could be argued, therefore, that the process of integration may have resulted in imposing a further burden of long-term costs on the economic systems of the region. From a nonbourgeois, social point of view, in other words, because of these substantial opportunity costs, which Nugent's analysis does not even recognize let alone estimate, the cost-benefit ratio and net welfare position of the population as a whole could quite conceivably have deteriorated. Under the circumstances, to lend a scholarly credibility to allegations of increased welfare, higher growth, and putative benefits may be more than a play with terms; it may, however unintentionally, be pernicious, at least from the perspective of any but those who enjoy preferential command over the public and private surplus-appropriating mechanisms.

Very different in almost all respects is *Regional Integration in Central America*, a useful study not even listed in Nugent's bibliography. Employing an interdisciplinary analytical approach, Cohen sees the integration process as an interactive one, shaped by the shifting nature of internal group objectives, on the one hand, and constrained in important respects by external actors (principally E.C.L.A. and the U.S.), on the other. The former have included, according to Cohen, new domestic elites and subelite groups, especially the new breed of *técnicos*, who fastened on national economic development as a means of "modernizing" their societies—at least enough to meet their own needs, but not so much as to undermine their own privileged and semiprivileged positions. E.C.L.A., in turn, saw regional integration as prerequisite for installing its particular strategy of national development and undertook investigative and, in effect, lobbying efforts to convince the technocratic "modernizers" of Central America of the congruence between its objectives and theirs. About the time that the impetus that E.C.L.A. was able to give to the gradualistic integration process was on the wane, certain modifications in the design of the process were introduced that enabled Central American developers to secure U.S. support for the scheme. Thereupon, U.S. financial contributions to a new regional bank for integration and an augmentation of technical assistance provided through a newly established regional A.I.D. office, R.O.C.A.P., gave the integration process a new lease on life and enabled it to move ahead until it stalled again in the late 1960s. In the course of this development, the U.S. was able to achieve a certain measure of political stabilization in the area and to reshape the effort more in conformity with U.S. notions of what is meet and right.

Cohen demonstrates clearly how contingent have been the commitments of the several governments to various aspects of the integration program throughout the period, a hesitancy matched by the reservations of assorted private interests regarding the scheme—notwithstanding the remarkable expansion of intraregional trade noted by both Cohen and Nugent. The accomplishments, material and otherwise, of the CACM are duly recognized, and with considerable skill Cohen traces the institutional permutations that accompanied its evolution. In a short but incisive concluding chapter, he sets forth a cost-benefit relationship which, specified quite differently from that employed in Nugent's econometric approach, reveals far more accurately than does the narrower, more mathematically refined analysis the set of calculations that have guided—and, in all likelihood, will continue to constrain—public policy formation in the area.

This latter sphere of concern is examined in detail and with meticulous scholarship in *Politics and Planners*. Wynia's masterful study reviews the policy antecedents of the integration phase but goes on to focus not on regional integration per se but on the processes of decision making in framing development policy in the individual countries of Central America. Fiscal policy, the selection among public investment options, the politics of planning, and relations between technocratic planners and mainline government bureaucracies in program implementation are topics that come in for careful scrutiny. The upshot of all this is that, by riveting attention on the national level, Wynia teaches the reader a great deal more about the practical effectiveness of the técnicos and others in promoting regional integration than may be gained by dwelling on the regional institutions and relationships.

Put differently, Wynia's study helps immensely by clarifying and specifying, albeit not mathematically, the policymakers' preference functions and by revealing even more lucidly than does Cohen the cost-benefit calculus on which actual policies are devised and adopted. Utility functions and cost-benefit relationships turn out to be considerably more complex than they are assumed to be in Nugent's methodology, and both are shown to be differentiated by social categories and institutional roles, a point that Cohen also makes tellingly plain. Both Wynia and Cohen are able to throw into sharper focus the real content of the "welfare" concept, and both scholars indicate, in effect, how contingent such a concept is by virtue of its being indisociable from distributional questions. From their essentially complementary perspectives on political economy, some of the building blocks of conventional econometric approaches appear at once naive and empty. In any case, the predictive power of their diagnoses seems stronger than that of the more rigorous models, and the richness of their analyses seems decidedly greater. So multi-dimensional is the phenomenon of integration that a great deal of pivotal importance is likely to elude the researcher who goes after it with inadequate methodological tools however finely honed they may be.

The studies by Cohen and Wynia implicitly point the way to a type of social systems analysis that transcends GNP-bound methodologies and opens up analytical perspectives of much greater utility for understanding the dynamics of regional integration. Both scholars demonstrate that national systems of political economy generate much more in the way of valued outputs than are measured by tallies of goods and services alone. Indeed, a particularly prized component of a system's production organization consists of sets of social relationships—"collective goods" called here, for convenience, *relational output*. Like other goods, the collective good identified as relational output may have both a consumption and an investment function. Moreover, relational output, like other goods, may also be defined in terms of social opportunity costs, which costs may, in turn, be "measured" by alternative sets of social relationships, bundles of goods and services, or all three. For example, Cohen and Wynia indicate unmistakably how, for groups in decisive positions of power, the value of prevailing social relationships (i.e., a given relational output) has, in Central America, a greater magnitude than the value of the increased goods and services which might ensue from heightened intercountry trade and/or a greater measure of regional policy coordination.

While neither Cohen nor Wynia really goes into another, related aspect of the question, namely the preference functions of subordinated segments of the social structure, the analytical framework they employ does provide yet another reading on the potential welfare gains to be derived from integration. To the extent that relational output—essentially a nontraded good—composes a substantial portion of total systemic outputs, to that extent traded goods, the production of which will be affected by integration, diminish in relative importance vis-á-vis the total array of valued outputs. It is possible, for instance, that many Central Americans assign high priority to either changes in or preservation of the existing institutional system. Compared with the value of such structural change or conservation (depending on the preference), the efficiency and welfare gains to be derived from producing lipstick and aspirin in country A rather than country B are simply not very consequential. In fact, one can easily conceive of conditions in which such efficiency gains in the production of goods and services would be deemed inimical to social welfare because of their bearing on relational output. Short of that situation, the overriding weight of relational output in group preference functions would seem to account for the notable lack of popular enthusiasm for or commitment to regional integration as a policy objective in the several Central American countries. Trade-derived gains may, in this context, appear to affect an almost negligible percentage of total systemic output, and their bearing on the nonincome components of welfare may conceivably be popularly perceived as ranging from only slightly positive to decidedly negative.

Finally, both the Cohen and Wynia analyses suggest the necessity of looking at the streams of transactions in two related but different "markets": the commercial market, through which goods and services get exchanged, and the political market, through which relational output gets produced and allocated. Trade-offs in the cost-benefit relationships that link both markets are demonstrably of central importance to the process of integration, and an analysis that ignores one whole set of market transactions (those of the political market) and one substantial segment of valued systemic output (the relational output) runs a very great risk of being altogether misleading.

WILLIAM GLADE
University of Texas at Austin