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ECONOMIC ASPECTS OF THE LATIN AMERICAN CRISIS

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ECONOMIC ASPECTS OF THE LATIN AMERICAN CRISIS

I. INTRODUCTION. -

In the global crisis which Latin America is going through the economic aspects play a central part, at the same time a determining and conditioning factor (even though not exclusively) of this crisis and an integral part of all the proposed and applied strategies for conserving or for change.

The analysis of the economic question has suffered until now some of the faults and limitations, which have affected at the same time the exactness of diagnosis and predictions, and proposals for solutions.

In the first place, starting with the theories of "steps of economic development" (according to W.W. Rostow and others), which postulate a series of ideal stages, corresponding to that which is supposed was the process of Western Europe and the United States, it is suggested that the Latin American countries should follow the same pattern, trait by trait and sequence by sequence, as the only legitimate form to overcome the delay in development.

In second place, development is conceived, in a simplified and unilateral manner, a mere growth to be obtained through a minimum of economic and technological innovations, purely

quantative, without structural modifications in the social, in the political and in the cultural aspects. It is supposed that the quantative and isolated economic changes will mechanically determine the harmonic and progressive reajustment of the other aspects and levels of the global system.

In opposition to this mechanical, partial, and repetitive concept, this paper proposes, as underlying premises to the analysis which is later attempted:

1) The revendication of the particular historical development of Latin America, in its past, its present, and its projection toward the future, and consequent search for autonomous and original models of socio-economic, political and cultural change.

2) The concept of development as an integral process, which is realized authentically only in as much as it mobilizes the principle forces and agents of the society, and which appears at the same time, even though with variable rythms, in all aspects of the society.

3) The historical-structural analysis of the problem, in its genesis and in its present configuration, and, in the combination of the internal and external factors.

4) The discussion of alternative polar models for socio-economic development, their component elements and their implicit and explicit implications.

Understanding that 1) and 2) are the premises of the analysis, this analysis will be accomplished as we progress, with reference to points 3) and 4).

II. THE TRADITIONAL MODEL OF GROWTH AND ITS CRISIS. -

During the 19th. Century and the beginning of the 20th, a model of economic growth, based on the complete exploitation of the natural resources, is designed and applied in Latin America, dependent on the predominance of agriculture-cattle* and mining exploitation for exportation, the integration to the world market of merchandise and capital, the mass influx of merchandise and immigrants coming from Western Europe, the external debt. A hierarchical society corresponds to this economic model, polarized, rigid with strong concentration of riches, power and prestige. This is a model of surface economic growth, dependent on basically exterior stimulus, with emphasis on the private when referring to the agents of socio-economic life, and with underestimation of the national, the political and the role of the State. This last has to be reduced to create and maintain favorable conditions for the activity of the national and foreign private enterprises, those which are considered natural protagonist of the economic and social life. As a result, the Latin American economies are inserted in the particular scheme of international division of labor, whose centers are found in Western Europe and then in the United States; and are specialized

*Note: The term "agropecuaria" pertains to both land and cattle.

to the place where they are converted in producers of raw materials for exportation, and importers of manufactured goods and capital.

This model of growth is in full effect during all of the 19th Century and up to the first decades of the 20th but between these decades and the Crash of 1929 a period of transition is inserted which previews in part some traits of the contemporary situation. Said period is determined by the convergent impact of modifications in the international system and internal changes in Latin America. Among the first, these should be kept in mind: The Second Industrial Revolution; the appearance of monopoly and imperialism; the re-establishment of the balance of force between the great powers, and between Europe and the rest of the world; the First World War and the Russian Revolution; the decadence of Europe and the ascent of Japan and the United States. Among the internal changes of the Latin American societies, it is pertinent to emphasize the increase of induced activities by the international commerce and foreign investments, the greater degree of social and regional division of labor, the increase of economic branches and social groups united to the national market, the increase of governmental intervention, the modification of the traditional socio-political balance.

The Crash of 1929, and then the Second World War, the projections and consequences of both produce effects, and processes break loose which will have decisive influence on the genesis, the

evolution and configuration of the economic phenomenon and processes of Latin America. The multilateral system of commerce and payments goes bankrupt. The external demand for raw materials and the agriculture-cattle and mining economies weaken and stagnate, and then tend to grow slowly. The flow of foreign capital withdraws at first, and then it recuperates slowly. In general, the traditional factors of surface growth weaken, because of external stimuli and purely private action. Substantial changes occur in the relations of prevailing forces in the economy and world politics, with the decadence of Great Britain and Europe and the ascent of the United States to supremacy. This is outlining for Latin America a new type of dependent relation, in which the national dominant classes will see a reduction in their margin of autonomy in decisions and of power in the external and the internal.

Simultaneously, and in direct relation with the external factors indicated, a new phase of accelerated urbanization and industrialization takes place. New social groups emerge and consolidate with upward impulse: "empresariado"*, middle classes, industrial proletariat, popular urban groups. They multiply and intensify the unsatisfied needs not satisfied by the traditional socio-economic structures and forces. A mentality and a collective climate of nationalist and developist type is affirmed. This is manifested in a diffused consciousness of the inconveniences of a unilateral economy,

*"empresariado" would refer to all those related to enterprises.

subordinated and without defenses before the international fluctuations; consciousness of the necessity and the possibility of a more autonomous and diversified structure, and of the re-evaluation of the role and possibilities of internal growth factors: national saving and investment of the public and private type, internal market, State. The need for instruments, mechanisms and politics which promote the expansion and rational organization of the economy. The popular and middle groups in expansion and ascent increasingly give pressure for a greater degree of recognition and participation in earnings, prestige, decisions and power. The scheme of the political system begins to be laid out.

The process of change, the transition from one phase of development to another, are not consequences of deliberate action of one class, group or elite which might make pressure on the State, control it or use it to impose a certain type of modifications. Industrialization, urbanization and modifications in social stratification, in the political system, in the contents and orientation of the State, are produced more than anything by impact of accidental, impersonal factors external to Latin America and its centers of decision (economic crisis and military conflicts, modification of the relations of force between the great powers and activity in the region); or (are produced) as unforeseen sub-products of measures taken in favor of the traditionally dominant classes. They become relatively weak and lose part of their hegemony.

Their factions fight among themselves, with the metropolises and with the middle and popular classes. Traditional society is modified, but dominant groups do not lose their economic, social and cultural powers. Their political and ideological influence continues to be felt in the society, and shows itself in its ability of influence on other classes, on the political parties and on the State. The oligarchy and traditional society result over the long run sufficiently flexible and permeable to absorb elements of change and modernization, taking from these processes rapidness and depth, and permitting the essential to be conserved. To this is added the weakness and the lack of deliberate leadership on the part of the groups and classes which in theory and/or in reality, would be interested in development, modernization, democratization, external autonomy (industrial enterprises, middle classes, urban workers, peasants). The new social and political constellations are introduced into the framework of a process characterized by the combination of irregular economic growth with the continuation or modified reinforcement of external dependence, the tendency to stagnate, the increase of social tensions and political unbalance. These characteristics come from key elements in the Latin American economic systems, the analysis of which it is appropriate to continue to immediately. These are they: economic dependence on other countries*, management and use of the land, industrialization, the State.

*"el exterior": does not really specify if its one or more countries.

III. ECONOMIC DEPENDENCE. -

The capitalist development in the world and its metropolises, in alliance with the dominant national groups, has imposed on the Latin American countries a relationship of dependence on other countries. This has been manifested in the imposing of types and forms of ties and domination; in their (the Latin American countries) incorporation into the dynamics of the metropolises and the world market; in the conformation and modification of the socio-economic structures and the internal politics in the dealing with necessities, interests and demands of an external type. The general laws of structuring and movement of the world system have together been imposed in a determinant and conditioning way on the societies and nations of Latin America. Distinct phases of capitalism, predominance of one or another power have, come together in an unfortunate way in the type and the peculiarities of the dependence on the other hand, however, the external action is never exercised in a unilateral and mechanical way, in only one direction and in only one dimension. The dependence is a multi-dimensional and multi-meaning process of interrelations between two kinds of forces, forms and dynamics (external and internal) in permanent interaction.

The analysis of the external dependence demands two other observations first.

In the first place, the external dependence does not destroy not obstruct in absolute terms all possibility of development in Latin America. Its role is more complex and dynamic, and is expressed in the imposition of a particular form of development. The external dependence has contributed to the acceleration of capitalist development in Latin America, to the expansion of the productive forces and foreign commerce, to the extension of the monetary economies and salaried work. This has been accompanied, however, by other inseparable characteristics, such as: the subordination to the external factors and stimuli, hypertrophy of some sectors and the paralysis or retrogression of others, the defective distribution of the richness and the earnings, the waste of a substantial part of the economic surplus, the institutional faults and vices of all kinds. What has actually resulted is a dependent capitalism, whose impulses of growth don't become auto-sustained development.

In second place, the dependence is structural. It's not an external variable, nor an isolated enclave in the national structure. It's a social global and contradictory process. It manifests itself at the same time in the economic, technological, cultural, political and military levels and aspects. All levels and aspects influence, determine, condition the global society, the system, the process of development.

The economic dependence is configured as a system of neo-mercantilism, always favorable to the metropolises. The Latin American countries have been placed, as was said (before) within a scheme of international division of labor, that has made us into producers of raw materials, importers of consumer goods, areas of investment, with the consequent specific conforming of the internal structures, and the incorporation of the internal economic currents to the international streams. Control from the great international monopolies and from the dominant metropolises (first Great Britain, then the United States) over the commercial flow and investments, with mutual reinforcement from both elements, has created for the Latin American economies a situation of subordination of deforming specialization, of centrifugal orientation and of instability. The process should be analyzed more than any other way in terms of foreign commerce and foreign investment.

Foreign Commerce. -

The semi-colonial situation of the Latin American countries is manifested in the structure of foreign commerce. Each Latin American country has tended to specialize in the production of a limited number of goods (raw materials, food, semi-processed products), for exportation to only a few countries (almost half in value goes to the United States; 80% to the United States and Europe together). With the product of exportations, importations

are acquired and interests, benefits and liquidations of investments and loans are paid.

Importations have traditionally consisted of semi-manufactured or finished articles for consumption and production. In the most recent decades participation in the importation of combustibles, intermediate products, and durable capital goods has increased with less participation in consumer goods. Industrialization in substitution of importations has modified the contents of commercial dependence, focusing it on essential goods and technological products, produced by a limited number of developed countries.

The negative consequences of this situation of semi-colonial origin has gotten worse recently because of the crisis in Latin American foreign commerce, in which, for various reasons, a growing disparity has appeared and continues between supply and demand. As a result of this, the participation of Latin America in international commerce decreases. Her exportations and importations tend to grow less than the rest of the world's. Exportations, in particular, grow in an irregular manner, with strong fluctuations in volume and prices. The increase in the physical volume of exportations is neutralized in great part by the decrease of their unit values. Deterioration of established terms of interchange (increase of the unit price of importations, decrease of unit price of exportations), reduces the buying value of exportations, and contributes to building a persistent negative

balance of the Latin American foreign sales and purchases, diminishing in this way her monetary reserves, her international assets and her capacity for importation. She resorts to heavy use of external financing (autonomous movements of capital, compensation loans) in order to increase importation in a greater proportion to the buying capacity of exportation. This creates an excessive debit, a heavy burden in the payment of the external debt in the face of a declining flow of foreign exchange. In spite of all this, the rhythm of the growth of importations tends to be reduced at the very moment when the needs of those (importations) grow because of the demands of industry's own growth and progress. The way of functioning and the impact of foreign commerce closely interlace and converge with the corresponding (functioning and impact) of foreign investments.

Foreign Investments. -

Since the last century, the exercise of foreign investments has essentially tended toward the following objectives: 1) Satisfaction of needs for raw materials, nutriments, minerals and combustibles in the industrialized countries of origin; 2) Development of the infrastructure and the services which support the first objective, besides its own profits; 3) Creation of an internal market in the Latin American countries for additional exportations and investments coming from the metropolises.

Foreign investments has been characterized by strong concentration in types, and by nationality of origin. The investment has tended to be concentrated in: agriculture-cattle production, mining and combustibles; industries developed from raw materials; infrastructure of transportation, communications and energy; commercial, financial, banking activities; certain kinds of modern industrialization. European investments, predominantly British, are the most important until approximately 1914. From then on, North American investments increase considerably in amount and diversification. The participation of investments of the United States in the process of industrialization of Latin America is an essential factor in its expansion, and a differentiating characteristic in respect to the British investments of the previous period.

The foreign investments have played an essential role in determining the direction, the characteristics and the strong prevailing of the model of outward economic growth. The arguments in favor of strong foreign investments in Latin America affirm that these give resources, equipment, technical experience; contribute to the expansion of capital formation, productivity and diversification of national economies; develop exportation and supply internal needs; and contribute to progress and modernization of the economy and the society.

The arguments critical of foreign investments, or openly opposed to them, refer essentially to the deforming and

decapitalizing consequences resulting from foreign investments especially the following:

1. - The basic and dominant form of private foreign investment is extensive interterritorial unification, the international corporate monopoly. Between its interests and those of the Latin American consumer countries, or those of investment implanting, there isn't necessarily mutual agreement, and there is, frequently, divergency or open conflict.

2. - The foreign investors own motives are predominant above the national interests. The large alien companies look for privileged development in certain areas, regions and groups in accord with a predetermined and external scheme of international division of labor, and exhibit a corresponding disinterest for the areas, activities or regions which could promote an autonomous and integrated development. Their procedure maintains and worsens traditional distortions and inequalities of the socio-economic type, and creates others.

3. - The very reality of foreign investment is put in doubt. In many cases, foreign investment is reduced: to importation of that which the metropolitan enterprise wants to export, to a transfer of obsolete machinery, to a use of leniency in customs and taxation, to predominant utilization of local financial sources; or simply, it is exaggeratedly valued, more than its actual worth.

The net flow of recent foreign investment of the internal profits have predominated above new investments from abroad.

4. - Foreign investments tend to occupy monopolistic positions and to receive high returns of the same kind. Annual exit of capital, for repatriation, remittance for benefits from investments and reinvestments, perquisites, payments for technical and administrative services, and liquidation of loans, exceeds the new capital which comes in for different reasons. This exit of capital represents a large portion of the value of the exports and (represents) a transfer of savings to the rest of the world, which weakens the Latin American economies and reinforces the metropolitan power centers. The exit of capital for the above reasons, along with the insufficiency of exports and the deterioration of exchange agreements, cause a negative return and a permanent crisis in the balance of payments, and contribute to the blocking of capital building and independent development and self-support.

5. - The incorporating of technology through the foreign investments is done acting upon necessities and decisions external to the countries of the region, without consideration for their real benefit, for their structures and stages of development. This incorporating happens within a very little changed traditional structure which tends to be preserved. Enclaves of modernization, which originate or reinforce imbalances and distortions, are created. The specific necessities of Latin American development

are neglected; already existing potentials are badly applied. Often, well known and surpassed, or rejected technologies are used; or conditions of secrecy and restriction which impede complete and adequate utilization.

6. - Foreign investments constitutes one of the most important mechanisms of the process termed effect-demonstration, that is, the incorporating of goods, consumer patterns and aspirations which originate in the advanced countries, or, are transmitted or instigated by these (countries). Thus is created a mass consumer type, typical of the developed societies, that does not correspond to the actual levels of productivity, production and earnings of the Latin American countries. This process affects, in a greater or lesser degree, all classes and groups of the national society. Its most important consequences are: greater penetration and deformation of the internal market; reinforcement of the socio-political commitment; irrational use of resources; resistance against the increase or reorientation of the investable surplus according to the real priorities.

7. - The foreign investments become inter-related and coupled with national groups (land-owner, commercial, financial, industrial). In this way there develop involvements of coparticipation and community of interests which weaken dynamic and transforming potential of the mentioned national groups. The international monopolies incorporate in their constellation of interests and power

important sectors of the middle class (small industries and business, service, professionals, intellectuals and technologists), and have direct influence over the nuclei of workers occupied in the centers and enclaves of investments.

8. - The international investment enterprises develop a suffocating power in front of the purely national enterprises, because of financial and technological superiority, support from the metropolitan centers, connexion with the world market of goods and capital. The first can thus ruin the second, expel them from competition, or incorporate them in their constellation in a subordinate relation.

9. - Because of their own socio-economic weight, because of their connexion with diverse groups, because of direct and indirect pressures from their metropolitan centers of power, the foreign enterprises are in conditions to exercise considerable influence on the structure, the functioning and the orientation of political life, of the State, of the culture and the ideology of the Latin American countries. Particularly, they can interfere strongly the national political process and oppose all intent of autonomous state intervention and independent economic development which they consider to be threats to free enterprise and the political and military security of the metropolis.

10. - Thus is made possible more and more the imposition of conditions (general and specific) of economic, social, political,

juridical and ideological kinds, which result favorably to the prevailing and consolidation of semi-colonial status. The foreign investment groups get superior control over availability and assignment of scarce national resources and over the orientation of the productive groups. A great number of the positive and progressive possibilities and opportunities result under-used, badly used or lost. The capacity for accumulation of capital and the decision on its uses, for adopting decisions in economic, social and political material, more and more is being transferred from the Latin American countries and their governments to those who possess, control and operate the natural, financial, human and institutional resources, that is, the foreign investment groups and their metropolises. Thus with growing clarity, appears the tendency toward the extenuation or clear and evident loss of the sovereignty and the national identity.

The analysis of the external factors is logically inseparable from the consideration of the internal kind, to which we will immediately proceed.

IV. THE AGRICULTURAL STRUCTURE. -

In an authentic process of development and industrialization, the agricultural area* should fulfill at least three basic functions: the increase of production and productivity in order to nourish the population not rural; the creation of a human surplus for use in

Note: "agro". *refers to the rural area in which cultivation is, or could be done. Here, I have translated it "agricultural area".

the urban industry; the accumulation of capital in order to finance the modern economic sectors. The agricultural area has not generally fulfilled these functions or tasks in Latin America. This has given way to great imbalance: insufficient growth in the agriculture-cattle production; deficient supply of nutriment and raw materials for the population and industry of the cities; low levels of living for peasant majorities; general discontent, growing pressure for reforms.

The traditional agrarian structure, inherited from the colonial period and basically maintained from the time of independence, presents the following general characteristics:

1. - The agricultural-cattle activity and the land-owner sectors predominate the economy, the society, the political life. The agriculture area frequently has a majority participation (except in these changes recently produced in some countries because of urbanization and industrialization) in the active population, the total production, product and earnings.

2. - The social stratification is pyramidal: great concentration of land in a few hands, lack of land for the great rural masses.

3. - The systems of land holding present great diversity: vast land holding* (plantations, haciendas, ranches); limited land holding*; symbiotic relations between "latifundio" and "minifundio"*; transitional situations.

* "latifundio" is the Spanish word for these vast properties.

* "minifundio" is the same type of phenomenon but on a small scale.

4. - The sector of large land-owners concentrates a global power, through a series of means and mechanisms like the following:

- a) Concentrated monopoly of property and the use of land, water and credit and other resources for efficient production, in greater degree than indicated for the size of the exploitations (more exploitations exist than owners).
- b) Financial, commercial, industrial, professional, political and cultural ties, beside the agricultural area, of the urban (city enterprises) and international kind (foreign monopolies).
- c) Control or influence over public administration, legislative bodies, tribunals, police, armed forces, banks and commercial institutions, the schools, the Church.
- d) Control over the supply and demand for employment and house, and over the buying and selling of products.

5. - As a result of the concentration of property, the abundance of land and of cheap labor, and of control over the supply and the market, the possibility exists for the land-owners to get a high level of return without previous increase in investments and productivity. From this, in the land-owner sector is derived the following tendencies, attitudes and results:

- a) Static and routine attitude: little predisposition for taking advantage of favorable opportunities; hostility toward progressive changes in the agricultural area and global society; tendency to mere utilization of the given traditional situation.
- b) Inefficient use of the land and the labor force: extensive exploitation, under-use of land and workers; use of inadequate or retrogressive techniques; lack of incentive for technological betterment; deficient administration; low productivity per acre, high productivity per man.
- c) Utilization of the high returns and credit resources without the criterion of enterprise and without the developists mentality: little productive investment; high personal and sumptuary consuming (importation, tourism); investment in goods and activities of great security and profit within and outside the agricultural area (land, stocks, constructions, merchant middleman, usury) out flow of capital to abroad; accumulation of land without intention for exploitation (inflation, low taxes, profit and speculation, social prestige, political power).

6. - Along side the traditional type of vast land holding which has been analyzed, there (also) exists a relatively limited group of exploitations on a large scale with use of modern technology

and administration, and high productivity of the land and labor force, generally intended to produce for exportation, or for the substitution of imports. If on one side these (exploitations) contribute to the betterment of the balance of payments, to the creation of employment, and to the application an enterprising effect-demonstration, on the other side, they resort to heavy mechanization which reduces the possibilities of occupation, they limit the use of the land and the productive resources according to the fluctuations of the world market and export considerable part of their benefits.

7. - Below the upper layer of land-owners, there are the rural middle layers: prosperous farmers*, money lenders, middlemen. The extent and influence of this sector varies according to the country, even though in general it tends to be limited. Their role is important in as much as it exercises control over the massive peasant* population, through intermediation, the system of commercializing agricultural products, usury, contracting of farm labor.

8. - In the rural population there is a numerical predomination of renters, and small land holders on a family or sub-family scale, and farm laborers without land.

The small farmers* (renters, small land holders, joint holders, small plot owners, tenants, unestablished#),

* "campesino": Generally refers to poor people who live off the land it can be translated farmer, peasant, or country people.

"Precaristas": Refers to those who farm in a "Precarious position" that is, undefined or unestablished; they occupy land which they don't own or rent.

possess or rent small plots; they have at their disposal limited resources and opportunities; they exploit sharing and bad quality lands, with low level of technology and a high degree of labor waste (high production per acre, low yield per man, low gross return). This is subsistence agriculture, or of very little surplus for market. Their contact with the outer world is very little, especially, in referring to credit, technological information, independent means for commercialization. Between the country people, the cities and the national and international market, there is a vast gamut of middlemen who take the major part of the small farmer's product, at the same time that they exploit the urban consumer. In the cases where there is connexion with the market, the low earnings of the farmer are reduced or absorbed by the payment of land rent, taxes, interests on the debts and the participation of the middlemen. The pressure of the excessive demographic growth on the scarce land contributes to the deterioration of the small farmer's situation.

Below the limited land holding farmer or tenant, but in part blending with lower layers, are the components of the wage earning sector, affected by the lack of land and means of production, the over abundance of labor, the extremely low remuneration, the total lack of perspective.

The consequences of the traditional agrarian structure is manifested on three fundamental levels: the technical-economic backwardness, the system of socio-economic relations, the poverty

and marginal condition of the peasant-farmers.

9. - The technical-economic backwardness of rural life is shown especially in the low productivity, the little utilization of resources, the exhausting use of the soil for one crop. The surplus of raw materials and food becomes reduced and overpriced, for exportation, for consuming and for industry in the cities. The disequilibrium of the balance of payments and inflation are reinforced. Real earnings are reduced. Industrial production is overpriced and the demand and extent of the internal market is reduced. In this way new reinforcement of the concentration of the profit in the countryside and in the city appears, as well as new blocks to economic growth.

10. - The system of social relations shows a polarized and rigid social stratification, a division of the society into two super-imposed strata, with unequal distribution of possibilities, right and responsibilities and with little importance for the intermediate sectors. Social relations tend to be of a non contractual kind. Remuneration in cash pay exists with other forms of paying. The direct interchange of services and favors becomes an institution. The country people thus have less capacity for participation in the opportunities and obligations of modern society, and lack orientation toward the market. The primary relations are extended to the total behavior of individuals and the more

general and complex social functions (system of direct and personal loyalties; recruitment of labor on the basis of families rather than individuals; nomination criteria in the selection and placement of persons).

11. - Poverty and the marginal condition are generalized for the immense majority of country people. The declining participation of the agricultural area in the national product and profit, combined with the high number of persons dependent on agriculture and the tendency toward polarization of unequal groups, is the principal factor determining the extremely low levels of earnings for the peasant mass. To this is added the (system of) payment in kind and other forms which replace totally or partially the use of money. From this result inhuman conditions of existence for the majority, in terms of nutrition, health, housing, education. The marginal condition of the country people is expressed and reinforced by the factors already considered, and by: lack of integration into the national power system; the slow outreaching from the effective city population to the inhabitants of the agricultural area; manipulation by the upper groups through relations of dependence and in order to reinforce the traditional power structures; the slow evolution in the formation of unions among the country people become fundamental obstacles to the appearance and development of an authentically democratic society.

12. - The traditional equilibrium of the Latin American rural society has become disturbed by the convergence of modifying factors, especially demographic expansion, technological, advancement, change of values and attitudes. The explosive rate of demographic expansion overcomes the growth of the agriculture-cattle production and causes the rural population to continue growing in absolute terms, in spite of urbanization. The number of small land holders and landless peasants increases. The technological advance modifies traditional situations and perspectives of production and commercialization; accelerates the crisis of the small country groups of the agriculture-cattle and craftsmen type; influences the rural society through industrialization and urbanization. These general and critical factors which have been analysed, the development aspects and socio-economic change and political conflict, have stimulated considerable modification in the values, attitudes and conduct of the country population; have generated, from one side, new aspirations and demands for higher level of living, and from the other, a climate of frustration and discontent and processes of mobilization and growing political participation in the rural masses.

13. - The rural structures and systems of the traditional type have not been able to maintain themselves without modification, and have had to adjust themselves somewhat to new conditions and demands. To a similar dynamic some kinds of anticipatory changes

and agrarian reforms have achieved various results. However, the modernizing or transforming modifications are exceptions, and in most cases tend to follow or maintain socio-economic patterns similar to those of the traditional system in crisis.

V. THE INDUSTRIALIZATION. -

The growth model toward the outside, from external and on the surface stimuli, -originated a series of negative factors for industrialization: the prevailing of a particular scheme of international division of labor; hostility of the state toward autonomous industrialization, accompanied by correlative favoritism toward imported manufactured products; scarcity of capital; irrational use of income; lack of specialized workers with technical experience; restrained internal market (low consumer capacity, internal regional inequality, reciprocal disassociation between the Latin American countries.)

A first phase of industrialization is produced, however, on the basis of the activity of European immigrants, imported capital, the partial elaboration of raw materials and the complimentary position of the extractive industries and public services.

A second phase of industrialization is determined by the impact of the economic crisis and the international wars (1914-1918; 1929-39; 1939-45). These phenomena originate the interruption of the processes of international integration of the Latin American

countries; the disruption of the multilateral system of commerce and payment; the fall of the demand and the prices of raw materials; the retraction of foreign investments; the stagnation of primary production; the fall of earnings; the economic paralysis; unemployment; the fiscal crisis. In general, one can evidence the weakening of the external factors of growth; the difficulties of a dependent and deformed economy.

In the more developed countries of the region, the reaction forced by the situation tend to force reconsideration of the possibilities for development by internal stimuli and factors: national saving and investment, national market, productivity, State. The latter involuntarily favors industrialization, through reactionary measures adopted in the presence of the crisis. Thus, imports are limited by the elevation of customs duties, exchange and commerical controls, monetary devaluation. The level of earnings from exports and other activities is maintained or elevated by means of devaluations, governmental purchase of raw materials, public works and other anticycle measures. The consequent highest level of monetary earnings, beside the reduction or insufficiency of the supply of imported goods, increases the possible prices for domestic industrial production. To these favorable factors for internal industrial expansion (the following) are added: the agrarian crisis, which creates an almost unlimited supply of

labor force; the influx of financial, enterprise and human resources to the manufacturing activities which are now completely unoccupied by exportation, or which (products) come from the United States and Europe; urbanization which amplifies the consumer market.

This second phase of industrialization is based in the substitution of imported consumer goods, and is performed by means of a dispersion of initiatives and investments for a wide gamut of divisions and products, without a minimum of systematic programming. An industrialization of this kind demands concomitant changes in other sectors and activities and uses of resources, and creates a greater demand of machinery, equipment, intermediate products, combustibles, technology, with consequent change in the contents and character of the internal dependence. Greater dependence on importation, resulting from substitutive industrialization, finds itself with less capacity for importation, determined by the reduction of the volume and prices of exports and the deterioration of conditions of interchange and other similar factors to which reference was already made. This has created great pressure on the balance of payments; has limited the incorporation of technology; has expanded unproductive activities and created an inefficient utilization of labor and capital; has contributed to limiting the diversification of the economy and its capacity for self-sustained growth.

Other structural factors which detain or distort progress of

industrialization are the following:

1. - Narrowness of the market for industry and the maintenance or reinforcement of protectionism without consideration for efficiency.
2. - Monopolistic structure of industry, predominance of foreign interests.
3. - Predominance of investment of capital over investment of labor, with the consequent reduction in employment and salaries, and the reinforcement of the concentration of earnings and the restriction of the market.
4. - Use of backward techniques, under-utilization or uneconomic use of the more modern ones; neglect of scientific investigation and autonomous technology.
5. - Lack of emergence of a national enterprise class, independent, dynamic and transforming.
6. - Low middle level unequal distribution and excessive concentration of earnings, which limits the mass market for industrial products.
7. - Negative effects of the agrarian structure: concentration of earnings; limitation of the market; lack of food and raw materials supply at a low price; cost increase; inflations.
8. - Rigidity of the traditional socio-economic structure, which incapacitates it for adapting to the demands and necessities

of industrialization with regard to labor, natural resources, raw materials, energy, transportation, communications, machinery and equipment, capital, financial and commercial services, labor and enterprise qualifications, new behavior and instruments of the State.

In spite of its limitations, industrialization has determined considerable modifications in the economic structure, social stratification, political system and the organization and functioning of the State. They have resulted insufficient, however, for realizing an integral progressive transformation of the national societies in their fundamental levels and aspects.

The analysis of the structure and dynamic of Latin America economies would be insufficient if the role of the State, in the end, were not considered.

VI. THE STATE: ROLE, FUNCTIONS AND LIMITS. -

Within the socio-economic and political crisis of the Latin American countries, the national State has been emerging and affirming itself as the only organized group, capable of insuring stability and growth for a system which seems to have entered decadence before maturing, and which does not achieve its objects through spontaneous functioning of its own powers and institutions. State intervention has been concentrating basically in the following aspects and ends:

1. - Execution of compensatory, anticycle and economic growth policies, tending toward the relative establishment and modernization of the socio-economic, political and institutional structures.

2. - Creation of favorable conditions for the accumulation of capital and expansion of the great private enterprise.

3. - Attention to the problems presented by internal and external, inequalities, urbanization and industrialization; satisfaction of old increased needs and of new needs created by these phenomena.

4. - Control and arbitration of the ascent and incorporation of the new forces and social stratum, of the competition and conflicts between classes and groups.

The assumption of these tasks has required: a new, more sophisticated and efficient, governmental technique; the amplification of the repertoire of institutions and instruments of control, regulation and promotion; the formation of new administrative elements in the career. The State machinery has become deformed with size, complexity and span of action. The State and the governmental bureaucracy naturally tend to convert themselves into a disunited social conglomerate, with (each part's) certain personal interests and an appreciable degree of independent relating to other groups. Each is outlined as a particular entity, autonomous center of decisions, with an intrinsic dynamic for the expansion of its authority, for its apparatus and encompassment

of activity. The tendency for state intervention, for expansion of the public sector and the governmental enterprises, has been reinforced by a series of additional factors and justifications of a historical, joining, military, socio-economic, political and ideological type.

The State in the Latin American countries has increased in this way the number, encompassment and span of its agencies and interventions. This has been expressed in regulation, promotion and participation in socio-economic forms and activities which are esteemed to be of public interest, and the emergence of a mixed-economy type, characterized by the extension of public control and greater plurality of the centers of decision.

The public sector of the Latin American countries embraces an extensive and diversified grouping of activities, instruments and organism under direct control of the State, which permits it to intervene in socio-economic process, promote it and participate in it, including: produce and circulate goods and perform services. The importance and influence of the public sector is evident; not only for the number and diversity of its entities of which it is composed and which move it, but also because of the facts which are schematically indicated below:

1. - Increase of spending in the public sector, in absolute terms and per capita, and as participation in the gross national product.

2. - Increase in the participation of the public sector in the supply and consequently, contribution to the national product, influence over the levels of prices, supplying consumers and enterprises.

3. - Increased participation in the global demand of goods and services, for consuming and for investment.

4. - Contribution of public sector in the formation of savings, with the profit, mobilization and assignment of resources for development and well being, on the basis of global need, without strict control or criterion of financial gain.

5. - Direct participation in global investment and for essential activities (energy, transportation, communications, basic industries, education, health, science and technology), in considerable amounts, and in accord with a modulation established by the necessities for development and the economic cycle.

6. - Maintaining and elevation of the levels of labor employment and earnings of the population (agents of the State; support for the acquisitive capacity of the market, with relative independence of the fluctuations, by means of remunerations, social burdens, the political prices of the goods and services).

7. - Direct and indirect or induced stimuli for investment and for activity of private enterprises; and, in general, a supplementary function in the insufficiencies or absence of these (enterprises) not

to replace them rather to compliment and reinforce them.

8. - Regulation of the structure and functioning of the market, and the conditions of competition and monopoly.

9. - Contribution to a more diversified and integrated economy (industrialization, technology, compensation of regional inequalities).

Although the positive aspects of state intervention and the public sector of the Latin American countries are disputable, there are elements and circumstances which have hindered and devalued their functioning in service of socio-economic development.

The State and the Latin American countries customarily exhibit a high degree of duality or ambiguity and inefficiency in its functions. It functions in service of the prevailing structures dominant groups, but also, at the same time, should give consideration and satisfaction to the needs and pressures of the other social groups and it tends in part to convert itself in the center of its own decision. The State has inherited and conserved a machinery and a cultural-ideological tradition which result out of date in new circumstances, and which neither prepare it not capacitate it to assume a growing number of complex tasks, and present its very interventionism as abnormal and transitory. The State acts within frameworks and settings which are hostile and unfavorable to economic development, to social change, to modernization and rationality, and, under the pressure and influence

of individualist groups and interests. Even more, within it and upon it, all classes, layers and stratum of the national society, foreign groups give pressure in order to get satisfaction for their sectorian demands. Governmental action often seems to convert itself into a mere unstable result of the interplay of multiple pressures, and it becomes refracted, modified and devalued in interventions and their foreseen consequences.

The State lacks valuable precedents and a unified, up to date, and effective philosophy, which would permit it to define the character, the reaches and methods of its interventions and controls. Neither of these (interventions and controls) are realized as an expression of a will deliberated for transformation and planification. They appear and are maintained by improvising, by pressure and urgency of joint and emergency situations. They are realized with a kind of muddly consciousness and with a paralysing ambiguity; the reason for which, the instruments of economic policy and the public enterprise entities (which in spite of everything have developed within its (the States) apparatus) are not used or badly used. The interventions do not form part of a plan; they result unstructured and contradictory; and cause unforeseen disorganization and confusion; they conflict among themselves, other actions and objectives of the State; feed irrationality and anarchy. The public sector and the national enterprises are employed in a manner

which is at the same time indiscriminating, erratic and limiting. The deficit of the governmental machinery in all aspects and levels cause a discrepancy in the feasibility and efficiency of the development planning. The Latin American countries are thus confronting a contradictory situation. On the one hand, they need planning for development, social change and political democratization; and on the other hand, their political-institutional system seems to result inadequate to assume these tasks. The faults, errors and failures of the State reinforce the consequences of the key structural factors which have been analysed above, and in this way create, maintain and aggravate the conditions of stagnation and economic receding, of social conflict, political instability and of external dependence which the countries of the region are suffering more and more.

VII. BALANCE AND PERSPECTIVES: TWO POLAR MODELS. -

As a conclusion of the preceding analysis, and with the risk of falling into a caricatural sketchiness, it is appropriate to affirm that there are two basic possibilities ahead for the Latin American countries: the perpetuation of the existing model, or the attempt to apply an alternative model.

The existing model. -

On the one hand, the Latin American process can continue, during a historical period of unforeseeable duration, along the

alignments followed in the last decades, this supposes the subsistence and unrestricted functioning of a system of property, initiative and private gain, the free interplay of market forces, and the situation of external dependence.

In such a case, it is possible that it proceed and achieve, in certain measure, a particular type of economic growth, which will show very special characteristics. This will take place in the interest (through the impulse and below the control) of the great international corporations, (especially of North American capital), and, of the government of the United States. This will be accomplished according to a plan of a new international division of labor which is elaborated in and for the benefit of the metropolis, giving privilege to certain social classes, certain economic division and regions of the Latin American countries, in detriment to the other classes, divisions and regions. The supremacy of the North American corporations and State which will exercise more and more control over the key sectors and over the main springs of the economy; over the most important mechanisms of production, commercialization and financialization; over the people and the markets; over the selection, the elaboration and use of science and technology.

In as much as a process of this kind and its results and sequences imply, for the benefited dominant groups, the necessity to freeze or reject the profound social changes, these will generate

a wide gamut of tensions and conflicts. The supremacy of the United States will have to be exercised through absolute control of the political and military apparatus. Totalitarian repression (combined with, and covered by certain external adornments of institutional liberty-in some cases-) will be converted into a model almost exclusively of social organization and stability. The centers of decision will be transferred more and more to the metropolis. Latin America will have to incorporate itself definitively, much more than to this date, to a system of inter-americanism forming satellites. The present countries of the region will lose, not only the remains of the real autonomy which they yet enjoy, rather the minimum prerequisites for a national viability, even though some formal characteristics of an apparent independence will be conserved. The result will be a national development (and a regional integration) which will be executed from the outside and from above, with characteristics of dependence and deformation without precedents, with a multiplication of distortions and imbalances between countries, regions, economic sections and social classes.

An alternative model

On the other hand, an alternative model supposes and proposes that Latin America needs a unified policy which assures: a great and fast impulse of development; simultaneous promotion of structural transformation and an increase of productivity of the agricultural-

area and mining and an industrialization which overcomes the mere substitution of imports; progressive redistribution of earnings; regional integration; priority of national accumulation, and strict subsidiary control of external capital and support; a greater balance within the region.

These prerequisites and characteristics of an authentic economic development can not come out nor operate as autonomous variables. They should be accompanied by substantial changes in the social structure; a greater degree of socio-economic equality and justice; the coupled distribution of efforts, sacrifices and benefits; modifications in the present mutual relation of power and status within the classes and groups; shaking of apathy and indifference of the masses, and stimulus of their support and active and direct participation; the integral democratization (real and not formal) of the economy, the society, the State and the culture. The uncertain and erratic economic growth, under a more or less liberal mark, should be replaced by total development on all levels, induced by the State and other public organisms in as much as they operate as authentic representatives of the national majorities, through a plan more and more imperative. The Latin American States can be valuable agents of development, in as much as they be profoundly modified in their socio-political contents and in their organizational and operational structure. The object and justification of the strategy come down to, in the last instance, the creation

of economic, socio-political and cultural structures which satisfy with the greatest fulfillment possible the growing needs of the population and guaranty for its members the expansion of their personality, their capacities and true rights.

This sketched model presupposes and demands, at the same time, the convergence of other elements. In the first place, there should be established an alliance operated by the classes and groups which are more or less of a dynamic and transforming type: industrial proletariat, working masses of the city and the country, intellectuals, professionals, technicians, small, middle level national enterprise, military which are not satisfied with being mere repressors of change and occupational police in the service of the dominant power; and a gradual reaching of a dominance within this constellation of those sectors more in essence predisposed to the continuity and deepening of the process. In the second place, it is indispensable that there be an appearance and affirmation of a vanguard of political and administrative teams, endowed with a clear vision of the goals, priorities and means; with ideological-political lucidness and efficient technique; with devotion for societies best interest, the nation and Latin America, and unbreakable will to achieve the indicated tasks, from nothing and in power. These teams should be at the same time aware of the danger of converting themselves in an elite, privileged and alienated from their own people, of substituting their will and participations

and promote some variant of bureaucratic state capitalism which take away from the sought after objectives and frustrate their achievement. Finally, it is indispensable that there be a high degree of consciousness, interest and direct and active participation of the broadest strata of the population in the search and imposing of the changes and in the restructuring and the management of the State.

Both models are presented in a general and abstract form, and as polar alternatives. Neither of them have the possibilities of triumph and perpetuation assured as a priori. In Latin America today, as in all parts and always, history doesn't have a fate nor predetermined ends. Its orientation and its alternatives are the results of actions and relations of living groups and individuals, in the interaction of determinisms, conscious wills, and chance. The imposed system in Latin America multiplies the inhuman conditions, the frustrations, the tensions and the conflicts. Under the surface that often seems quiet and congealed, potent forces of rebellion and change boil, they accumulate and work in the bosom of Latin American society, and can give place to unexpected combinations and to unthought attempts to answer and overcome.

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