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THE STAGGERING PROBLEMS OF LATIN AMERICAN
DEVELOPMENT—CHALLENGES TO AN
ALLIANCE FOR PROGRESS

by

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Introduction

Physically, Latin America is a segment of the earth's surface that can only be described in superlative terms. This region, commencing with Mexico and stretching southward to Cape Horn, consists of twenty republics that cover an area three times greater than the continental United States. The expanse of the South American continent is spectacular. Recife, on the eastern coast of Brazil, is closer to Africa than it is to Florida, and Cape Horn is less than a thousand miles from the edge of the Antarctic Continent.

Latin America contains the world's fourth largest country, Brazil—the largest territorial unit in the world in which only one language is spoken. Within Brazil, at the mouth of the world's largest river, the Amazon, lies the island of Marajo, which is larger than the country of Belgium.

The potential resources of Latin America are so great that few venture to estimate them, but it is commonly accepted that these include varied mineral deposits, an enormous hydroelectric potential, and immense agricultural and forest regions.

However, in terms of economic development and social progress, such superlatives are readily found to be inappropriate. Following his recent tour to South America, Adlai Stevenson described the economic and social problems that he encountered as

"staggering." With the establishment of a framework for a new economic and social Alliance for Progress at Punta del Este, Uruguay, in August of 1961, these staggering problems have become challenges to the inter-American community.

The Alliance for Progress project has been described as the most massive aid program since the Marshall Plan for Europe. Within a decade, \$20 billion will be committed to this program from the United States, Western Europe, and Japan, to rebuild the economy and raise the living standard of Latin America. The first year alone will involve a billion dollars of United States aid.

The scope of this challenge is immense. In many regions of Latin America the life expectancy is less than half of that in the United States, housing is primitive, and illiteracy is widespread. The average annual per capita income is \$289, a factor that contributes to the undernourishment of more than half of the Latin-American population. Though industry is growing, the annual rate of economic growth is less than one per cent when adjusted for the growth in population. This rate of economic growth is entirely inadequate to support a population which is now nearly 10 million greater than our own and growing at one of the fastest rates in the world. At the present annual rate of increase, 2.6 per cent, these twenty republics will have a population of 303 million by 1975. By the year 2000, this will grow to approximately 600 million!

These are twenty strikingly different nations, and in many ways it is improper to speak of "Latin America" as an aggregate entity without adding numerous qualifications. However, the *problems* that these countries face are to a great degree shared in common, and the varied sources of social grievances revealed by the foregoing facts and figures are among these common problems.

The growing social discontent in this area has become fertile ground for Communist propaganda. Senator William Benton has estimated that the Soviet Union pours an annual \$100,000,000 into its Latin American propaganda network alone, and in 1959, the USSR and Communist China are reported to have spent \$900,000 just for airline tickets to transport Latin American students to Moscow and Peiping for "educational and cultural" experience. Such statistics indicate that our Communist adversaries have been alert to grasp the growing significance of Latin America in the present Cold War struggle.

Historically, both the United States and Latin America have a great deal in common. We were both colonized by Europeans and we both emerged from the period of colonization at approximately the same time. But political, economic, and social evolution within the Latin republics following independence did not parallel such development in the United States. Consequently, the bond of common interest that existed within this hemisphere shortly after the colonial ties were severed, became strained by this variance of development, and following the proclamation of the Monroe Doctrine in 1823, Latin Americans often viewed our actions in their area through skeptical eyes. Deeds of the United States during the so-called "Big Stick" policy and "Dollar Diplomacy" periods did not enhance our reputation in these republics, but President Roosevelt's "Good Neighbor" policy of the 1930's reversed this trend and the high degree of inter-American co-operation that developed during World War II brought the level of mutual friendship within this hemisphere to an all-time high.

However, events in Latin America since 1945 have demonstrated that this harmonious relationship can no longer be unquestionably assumed, and we are now confronted with the realization that serious obstacles to inter-American solidarity exist. The stormy receptions of Vice President Nixon in 1958, the frequent

attacks on United States' embassies, repeated reports of "anti-Yankee" demonstrations, and the establishment of a Communist beachhead in Cuba are only the more apparent verifications of this.

Through the Alliance for Progress the United States is making a vigorous effort to strengthen its bonds with Latin America. The declaration signed at Punta del Este reaffirms our genuine concern for the advancement of human freedom in Latin America—a concern that was voiced by President Theodore Roosevelt more than a half-century ago, when he said:

. . . The true interest of our people lies in helping the Latin-American countries, with our more advanced industries and our characteristic forms of energy, to expand into strong and flourishing communities . . .

This ambitious plan faces formidable obstacles that will not be easy to surmount—obstacles whose roots may be traced to the variance between Latin-American and United States institutional evolution since independence. These obstacles closely parallel the perplexing problems that Latin-American political leaders are attempting to solve in their drive towards social and economic advancement, and the roots of such problems may also be traced to the institutional evolution within these republics.

Thus, an examination of some parts of Latin America's institutional development may cultivate an appreciation of the manifest problems that not only face Latin America's leaders, but also provide a challenge to our present efforts to achieve a realistic Alliance for Progress that will reinforce mutual confidence, respect, and trust among the Americas.

The Political Atmosphere of Latin America

Spanish and Portuguese colonial systems had considerable effect on the Latin-American political institutions that evolved after the various independence movements in that region. The basic objectives of the colonial powers may be described as conquest and exploitation of the natives. Centralism and authoritarianism were the essential principles of that era.

The colonial authority maintained firm control of all governmental functions and through detailed legislation, governed all phases of society. Major colonial administrators were commissioned by royal appointment and these officials appointed their own subordinates in the name of the crown. Two principal defects which resulted from this highly centralized system were the lack of a sense of individual responsibility and the absence of experience with self-government; defects that plagued the newly independent countries long after the ties with the colonial powers were broken. Consequently, the Creole aristocracy, who led the independence movements, was not willing to assume the rigorous tasks of governmental organization with which they were totally unfamiliar, and the opportunity for military rule was thereby created.

There was little question of political legitimacy in the colonial period, as the King signified governmental power and was continually supreme. With independence, however, the King was removed as a symbol of legitimacy, and struggles for power continued throughout the region among those who could gather the requisite military support.

By 1830, every country in Latin America was ruled by a military leader, most of whom were extreme individualists. Bolivia's Santa Cruz, Argentina's Juan Manuel Rosas, Chile's Diego Portales, and Paraguay's José Francia were typical of this type leader

who emerged to stem the tide of chaos and anarchy. Thus, the wars of independence had eliminated the monarchy, but the essentials of a monarchy were maintained, and military power was the only requirement for legitimacy. Even though some succeeding political leaders were from the nonmilitary, their tenures in office rested primarily upon military support. By 1900, a few governments became reasonably well organized and considerable changes continued to occur after the turn of the century, but many Latin-American countries are still plagued by this void of political legitimacy. Brazil's dilemma in August of 1961, caused by the unexpected resignation of President Quadros, demonstrates the degree of political influence that the military continues to maintain in that country.

Because of this lack of an adequate institutionalized basis of government, many Latin governments have been unstable; Bolivia has had eight extra-electoral changes of government since 1920, and more than half of Ecuador's presidents have either resigned under duress or have been forced out of office. Force has commonly been required for the acquisition of power, and support of the forceful elements has usually been required for governments to remain in power.

Most Latin-American revolutions, however, have not been large-scale rebellions in which the people have organized against the government. The great majority have been bloodless and of short duration, as the people have usually held little interest in mere changes of ruling cliques. These revolutions have only taken violent forms when the interests of the people have been at issue. The most successful revolution of this nature occurred in Mexico in 1910, which led to the establishment of a relatively stable government and considerable agrarian, labor, religious, and social reforms.

A consequence of this political evolution has been the common Latin-American acceptance of *caudillismo*—the concept of the leader who governs only because he has the requisite power. This idea of *el jefe* or "the boss," who governs because of his control of power rather than under constitutional authority, has existed throughout the history of these republics and prevails in many of them today. The *caudillo's* personal leadership is based on absolute authority, and even in those countries where he does not have direct control of legislatures and courts, he maintains a great amount of influence in their operation.

Many Latin-American countries are now passing through a period of gradual political modification. This is commonly described as a "democratic movement" and as a growing aversion to the old type *caudillo*. To a considerable degree, this change has been caused by the emergence of a growing middle class—a group for whom political parties have become the focus of political thinking. In the countries where this change is occurring, the predominance of the *caudillo*, though still prevalent, has been somewhat diminished. Uruguay, considered by some to be the most progressive and democratic country in Latin America, has had the longest history of uninterrupted middle class leadership in Latin America, and it is highly probable that an expanding middle class holds the key to further development of democratic political institutions in these republics.

However, most Latin-American governments are now confronted with the manifest challenge of widespread social unrest—the type of unrest that has in the past been the basis for popular revolutions of a violent nature. Long-range economic plans have been inaugurated in an attempt to improve social conditions through industrialization: but to the restless Latin American these long-range solutions, unaccompanied by adequate interim social measures, provide little comfort.

Latin America's political enigmas are therefore largely rooted in social problems, and these have underlying economic causes. Successful programs of economic development, which necessarily include increased industrialization, would not only serve to bring about social advancement but would also produce the broader middle class base which is necessary for the growth of truly democratic political institutions. Economic development of this nature is an arduous undertaking in these twenty republics, but the Alliance for Progress project has accepted this challenge.

Argentina's President Frondizi recently commented on the inseparability of political, economic, and social development when he said of the Alliance for Progress:

. . . The North American people understand that the effective and indispensable base of continental solidarity is the strengthening of the democratic institutions in the entire hemisphere . . . furthermore, they understand that the fate of these institutions is intimately tied to the economic, social, and cultural development of Latin America.

The Economic Challenge

Analogous to Latin America's political evolution, the genesis of most current economic and social problems in these twenty republics may be traced to the colonial period. During the era of mercantilism in the sixteenth and seventeenth centuries, the primary objective of the new European nation-states was to attain self-sufficiency through the accumulation of precious metals in their national treasuries. Therefore, reports of the discovery of vast amounts of these treasures from early expeditions to the southern sector of the New World were greeted with elation in Spain and Portugal.

By 1520, long before the initial group of English settlers landed in North America, much of Latin America was colonized, and colonists from the Old World seeking rapid fortunes continued to flow into the conquered Americas during the sixteenth, seventeenth, and eighteenth centuries. The conquerors claimed title to all land, and it was distributed in immense tracts to soldiers and aristocratic settlers who soon assumed the top positions in a sharply stratified social structure. These landholdings, or *latifundas*, and the resultant economic disparity were the origins of such existing problems as land maldistribution, wealth concentration, and persisting poverty.

Following independence, this system was perpetuated by the aforementioned government by *caudillos* for whom power was the only symbol of legitimacy; a prerequisite for such power being the command of economic power which was facilitated by the wealth concentration of the *latifunda* system. The post-Revolutionary leaders neglected social and economic improvement and showed little interest in expanding educational opportunities. Only negative policies were pursued in these fields—those designed to maintain the *status quo*—and for centuries, economic and social conditions in Latin America remained stagnant.

Latin-American leaders are now faced with many economic problems that are the consequences of this historic pattern. Of these, there are three that seem to be the most fundamental: capital accumulation, the unbalanced economy, and the economic structure.

Capital accumulation. Capital accumulation for investment is a necessary prerequisite for the initiation and continuation of industrialization and economic growth. The facts of economic life reveal that net savings and investment from private sources are highly dependent upon the level of national and per capita income, and that the latter must be above the

subsistence level before appreciable savings and investment occur. Here, Latin America faces a major deterrent to such investment through private domestic sources, as recent statistics rank only three of these twenty republics with annual per capita incomes greater than \$400, and for half of these countries this figure is less than \$200.

The national income of the United States is approximately nine times that of all Latin-American republics combined. Yet, the population of Latin America, approximately 191 million, already exceeds our own by almost ten million. This relationship between income and population not only limits the potential of private domestic investment, but restricts the possibilities of public domestic investment as well. Even with such limitations, 90% of all capital invested in Latin America from 1952 to 1959 came from domestic private or public sources. It may therefore be readily discerned that the quantity of domestic capital invested in these republics during this period was relatively small.

In an attempt to increase the rate of capital investment, some of these governments have resorted to inflationary policies, and as a result, living costs have increased in rapid fashion. The United Nations *Monthly Bulletin of Statistics* of February 1960 reported that from 1953 to 1959, the yearly percentage rates of inflation in Argentina, Brazil, and Chile were 73%, 43%, and 170% respectively. This rate for Bolivia was 491%.

Thus, a vicious cycle of perplexing problems is revealed. For increased economic development to occur a considerable volume of savings is required for industrial investment, but such savings can only materialize from a much higher level of income and this is itself a product of economic development.

The need for foreign investment in Latin America is therefore readily apparent. However, since *profit* is the major incentive for foreign private investment, such capital is not always placed in those projects which are, at a given time, most beneficial to the over-all development of the local economies. Also, substantial portions of past profits have frequently left Latin America in the hands of foreign investors due to the lack of additional reinvestment incentive.

The stimulation of foreign private investment is a major theme of the Alliance for Progress, and a massive financial aid program of long-term government loans and grants is also included. Success in this capital accumulation endeavor is necessary if the economies of these twenty countries are to achieve the *balance* that is required for the initiation of economic growth.

The unbalanced economy. Today, most of these countries must import capital equipment if they are to achieve increased industrialization, and many also find it necessary to import consumer goods because of the specialized nature of their economies. But without an adequate availability of capital, these can only be imported after sufficient exports are sold at suitable price levels.

All Latin-American countries must rely on two or three primary products for the major portion of their export trade, and most of these are either agricultural commodities or raw materials. To illustrate, exports of the below listed countries are concentrated in the following manner:

Country	Commodities	Percentage of total exports
Argentina	Meats, Cereals, Wool	66.59
Bolivia	Tin, Lead, Silver	85.23
Brazil	Coffee, Cacao, Sugar	67.53
Colombia	Coffee, Bananas	79.80
Costa Rica	Coffee, Bananas, Cacao	90.21

Source: *Statistical Abstract of Latin America, 1960*.
(Los Angeles, Center of Latin-American Studies,
University of California)

These statistics of only five countries are representative of the degree of export concentration that exists throughout Latin America. The demand for exports of this nature on the world market is much more unstable than that for industrial goods. As a result, prices for these agricultural commodities and raw materials tend to fluctuate over a wide range, a situation that frequently creates significant impacts on these highly concentrated economies. For example, at the end of the Korean War the demand for copper decreased rapidly, and its price dropped from fifty-five cents to twenty-five cents a pound. Chile, who received 60% of its export income from copper, thereby received a crippling economic blow.

In a like manner, recessions or indiscriminate foreign trade policies of other governments may readily shatter the economic foundations of many Latin-American governments. Attempts to meet these external influences by increasing production of the affected commodities may drive the price so low that revenue and profits are actually decreased by this added production. With such concentrated economies, these governments are at the mercy of price levels over which they are unable to exercise much control.

The recurring problem of the vicious cycle again arises. If these countries are to attain adequately balanced economies—those which place less reliance on a limited number of commodities—they must first achieve an increased industrial capacity. But in order to import the capital goods required for such a capability, substantial revenue must first be received from their nondiversified, varying-priced exports.

The search for a solution to the problem created by excessive price fluctuation of basic Latin-American exports, and the stimulation of industrialization which will place these economies in better balance are major objectives of the Alliance for Progress. This problem is intimately related to the economic structure that exists in Latin America today.

The economic structure. An important economic consideration is the structural conformation of the agricultural segment of society and the relationship of this segment to the industrial or commercial sectors.

Even though 60% of the total Latin-American population derives its livelihood from agricultural production, much of this is conducted at the mere subsistence level—large numbers of these people consume only an average of 800 calories a day. Seventeen of these twenty countries are forced to import food while nearly three-fourths of Latin America's arable land lies idle.

This situation is largely caused by the inefficient utilization of vast estates which are a direct outgrowth of the *latifundas* of the colonial period. At present, less than five per cent of the Latin-American landowners own 70% of all arable land. The size of many of these estates is almost beyond comprehension; in Argentina and Chile, one-third of the land under cultivation is made up of estates of 25,000 acres or more, and a few are as large as the state of

New York. Many of these owners lack either the incentive or capital to adequately cultivate their estates and as a result, large portions lie idle while millions of peasants attempt to maintain their existence from small, unproductive plots.

Without a more efficient distribution of land, this agricultural structure is perpetuated by the proportions of land, labor, and capital that exist; labor is abundant and in some countries redundant, arable land is limited, and capital is very scarce.

For industrial growth to occur, agricultural productivity must rise at sufficient rates to support the growing urban population. This increased productivity must, therefore, take place at the same time that the agricultural population decreases as people move from agrarian to urban areas. Land redistribution in accordance with the characteristics of each country, and the introduction of new efficient farming techniques, may provide a solution to this problem—both are encouraged in the Alliance for Progress program—but even this must be qualified, as new techniques must not replace farm labor with machinery at a rate more rapid than industry can absorb the released labor.

The Social Dilemma

The development of existing Latin-American social institutions has been so closely interrelated with the previously discussed political and economic evolution that further amplification appears repetitious. The foregoing examination of Latin-American political and economic development reveals that the social problems facing these governments today stem from colonial suppression of the natives, the class concept implanted in postcolonial development, the negative social and economic policies pursued by past governments, and the common failure of past Latin-American leaders to adequately emphasize education.

The stratified social structure, based primarily on economic considerations, is the seed from which social unrest grows in Latin America. Within this system, many of the poverty-stricken remain bound to the *latifundas* by debts or because they can see no other way to maintain their existence.

In the vast South American interior, it is not uncommon for the population to be isolated in small, primitive communities. These groups, predominantly composed of Indians, are largely self-sufficient and many lack a consciousness of events that occur beyond the borders of their own region. Here, the undivided family unit has for centuries been the basis of society, and some of these communities continue to maintain barter economies. Governments have initiated programs to improve the living conditions and destinies of these people, and these have resulted in numerous improvements, but the immense scope of such endeavors has limited their effectiveness.

Today, more and more rural workers are breaking their agrarian ties and are moving into the already overcrowded cities. This manpower is unskilled and does little to fill the urgent urban need for skilled industrial workers. Instead, the social problems within these cities are multiplied.

In recent years, many strides have been taken to meet this challenge, primarily through a reshaping of educational methods to meet existing needs. Occupational training has been emphasized in lieu of the traditional emphasis on classical education, and vigorous efforts have been made to extend educational opportunities to more people, but here, the surface has only been scratched. These efforts are impeded by the high level of illiteracy that prevails in most of these countries; 50% of Latin America's adults are today unable to read and write and 15 million children are presently without classrooms or teachers.

These social problems can scarcely be separated from the obstacles that impede economic progress in these republics. Solutions to Latin America's social problems are required if economic development is to be stimulated, but these solutions are themselves largely the results of economic development. Thus, if a real breakthrough into social and economic advancement is to be achieved, a favorable combination of social and economic factors is necessary, which under existing conditions calls for solutions to numerous Latin-American economic and social problems simultaneously. This fundamental objective—to achieve a situation in which social and economic factors are in proper balance for sustained economic development—is the goal for which the efforts of the Alliance for Progress are directed.

The Challenge Has Been Accepted

The people of Latin America are impatient for a better life and are now making their demands heard. The social and economic revolution in this region has only commenced, and the signatories of the Alliance for Progress declaration have accepted a challenge from which there is no retreat.

On July 31, 1961, the Secretary of State was designated to administer the Latin-American Aid Program by executive order, and following authorization of the first session of the 87th Congress, the Agency for International Development (AID) was created within the Department of State on November 6, 1961.

In addition to providing central direction and responsibility for the functions of various United States foreign aid programs (which were formerly administered by independent or semiautonomous agencies), the Agency for International Development provides a means by which an over-all attack on the social and economic problems of the underdeveloped world may be co-ordinated. Teodoro Moscoso, former

ambassador to Venezuela, has been appointed as the Assistant Administrator for Latin America within AID, and has therefore assumed a key position in the implementation of the Alliance for Progress program.

This ambitious effort envisages long-term support for development plans created by the Latin-American nations themselves, and recognizes the collective responsibility that the more advanced Western nations have for such development. It also recognizes that in the final analysis, the effectiveness of this project depends upon the dedication of the local governments to fulfill their own responsibilities by taking essential measures of self-help, particularly through more effective utilization of land and by modernization of tax structures.

We in the United States have two basic reasons for offering a portion of our resources to our friends in this hemisphere in an attempt to meet this challenge: First, we have a close and special relationship with the *people* of Latin America who followed our example in throwing off the yoke of colonial rule and for whom human freedom has been a continuing goal. Second, inter-American solidarity and common purpose are fundamental to Latin America, the United States, and the Free World.

The Alliance for Progress faces enormous obstacles that are deep rooted in Latin-American tradition and culture, including many that have not been included in this discussion, but the odds created by these obstacles only amplify the intensity of the challenge. Many encouraging factors subdue pessimism in this endeavor—Latin America has vast resources, immense land areas for internal expansion, large reserves of manpower, and a strong desire for improvement. But the greatest asset of this project lies in the ideal from which it was conceived—the traditional American ideal that freedom and prosperity are fundamental building blocks for a better world.

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