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A REVIEW OF ALLIANCE FOR PROGRESS GOALS

(A Report by the Bureau for Latin America, Agency for International Development)

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PREFACE

On August 5, 1968, the Committee on Government Operations issued its 36th report to the 90th Congress. The report, entitled "U.S. AID Operations in Latin America Under the Alliance for Progress," was based on an 18-month study by the Foreign Operations and Government Information Subcommittee.

The report contained many recommendations designed to improve the economy and efficiency of U.S. economic assistance activities in the American Republics. A major section of the report expressed the committee's deep concern over the failure of U.S. AID operations in achieving the goals of the Alliance for Progress during the "decade of development" envisioned by the signatory nations at Punta del Este in 1961.

Many members of the committee felt strongly that more realistic goals should have been set in the first instance and events now required a reassessment of those goals in light of our experience during the past 7 years of the Alliance. The aim, of course, was to encourage a more effective and efficient approach to our assistance efforts.

Therefore, the committee unanimously recommended that the Agency for International Development (AID) undertake a comprehensive study "to determine whether the goals of the Alliance for Progress are currently realistic or attainable."

Acting AID Administrator, Rutherford M. Poats, submitted the following study in response to that recommendation on February 20, 1969.

JOHN E. MOSS,
Chairman, Foreign Operations and Government Information Subcommittee.

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A REVIEW OF ALLIANCE FOR PROGRESS GOALS

(A Report by the Bureau for Latin America, Agency for International Development)

PART I. INTRODUCTION

The Committee on Government Operations requested a study to determine whether the goals of the Alliance for Progress as they apply to each country are currently realistic or attainable in light of the experience of the past 7 years. The committee asked that the findings and recommendations resulting from this reassessment be reported to the Committee on Government Operations and other appropriate committees of the Congress.

Our review of experience of the past 7 years indicates that total accomplishment of the ambitious Alliance goals within the decade 1961–71, as contemplated in the Charter of Punta del Este, is not possible. The framers of the charter erected a goal structure which anticipated too much too soon, and in recognition of this, the time frame of the Alliance has been extended beyond 1971.

Our review also indicates, however, that achievement has been substantial. We conclude from this review that despite the initial unrealistic 10-year time frame, the goal structure still affords an attainable set of priority guideposts for development of the hemisphere. The development progress and momentum generated under the Alliance justify promise for the future and merit continued U.S. support.

This report does not attempt to treat the many, and still not fully understood, variables involved in modernization and development, but instead, is addressed to the formal goal structure of the Charter of Punta del Este. The formal objectives omit some critical elements which bear particular mention.

Major among these is the critical variable of *population growth.* Although omitted from Alliance goals because of its political volatility, this factor has been central to what has transpired since. In most Latin American countries, the birth rate is staggeringly high. The number of schoolage children not in school tends to grow at the very moment when new schools are being built at a record rate. Substantially increased food production and remarkably expanded educational facilities barely keep pace with population increase. High economic growth rates are largely canceled out in per capita terms, as the economic pie must be shared by a rapidly increasing number of claimants. The population question is now increasingly being faced up to in Latin America, but much remains to be done as elsewhere in the world.

The United States has made known its willingness to assist, where requested, as the countries of Latin America come to recognize the population issue as a matter of priority concern. While there are increasing signs of this growing recognition throughout the hemisphere, there are few countries in which the issue is yet being squarely met. Until these problems are better recognized and addressed in most of the hemisphere's countries, the question of attaining a satisfactory level of development remains uncertain.

Another vital development priority not specifically identified as a formal charter goal was the need for all countries to couple their firm general commitment to develop with vastly improved competence, efficiency, and vigor in governmental operations. Development requires not only that the Latin American governments perform their traditional functions more efficiently and effectively, but also that they prepare themselves for a broad range of innovative, technically complex, and managerially demanding developmental undertakings. In the pre-Alliance period one of the major roadblocks to progress and development was the inability of most Latin American governments to formulate effective policies and to manage their affairs and programs efficiently. Pervasive scarcity of technical and managerial competence, coupled with archaic and unserviceable procedures and organizational structures were characteristic of most governments of the hemisphere.

The Alliance years have left an imprint of new commitment, competence, and confidence throughout governments in the hemisphere. Thousands of public servants have received essential training, and key governmental policymaking and executing agencies in most countries have been—or have begun to be—strengthened. At the same time, the Alliance has also been an essential factor in the new sense of commitment to development, and in the realistic perception of the means for its attainment, which appear everywhere in the hemisphere. Whereas few governments in Latin America had even given lipservice to the key issues of development prior to the Alliance, development is now everywhere the byword of national political life. No government or political party can ignore it. This, in itself, is a momentous achievement of the Alliance.

The tangible evidence of this intensified commitment and growing competence is evident throughout the hemisphere. The adroit management of complex stabilization programs in Brazil, Chile, and Colombia reflect newly achieved sophistication and discipline in policy management and coordination. *Tax collections*, reflecting in large part improved administrative techniques and organization, have been increased for the hemisphere as a whole (on real terms) since 1961 by 30 percent. In Brazil they have risen some 26 percent since 1964, and since 1961 in Colombia, Peru, and Chile by 80 percent, 56 percent, and 64 percent, respectively. In six other countries, taxes have increased over 60 percent. Of equal importance, impressive new energies, methods of doing business, new organizational forms, and commitment in ministries of health, education, agriculture, transportation, and finance, are amply reflected throughout the hemisphere in the indicators of achievement and assessments of progress discussed in the body of the report.

An analysis of progress toward goals raises the question of relative priorities. Viewed broadly, each of the charter goals theoretically represents an equally high priority objective for each Alliance country. Again, theoretically, it is only through the eventual achievement of all the goals that a country can be said to have succeeded in providing access to its citizens to meaningful productive opportunity and a greater share of the benefits of progress. Yet realistically, simultaneous progress toward each of the goals cannot be expected and the priority significance of progress toward any goal or group of goals, in terms of development strategy, varies widely among countries and within the same country over time. There are great differences between one country and the next in the development bottlenecks that require early resolution as a precondition to progress on other fronts. Also, the countries of the Hemisphere differ markedly in their capacities to achieve political commitment and consensus behind various policies and goals, or to mobilize technical, financial and institutional resources behind the programs leading to the goals. While every country needs to base its development strategy on its unique development problems, priority setting for operational programs must also take account of the art of the possible within that country's political, economic, technical, and administrative constraints.

The charter specifies as a goal for the hemisphere as a whole, the maintenance or establishment of that degree of *monetary and fiscal stability* required to encourage increased private and public sector savings and investment. Private sector growth and the rational allocation of increased public investments to such other priority requirements as education and agriculture require, as a precondition, the establishment and maintenance of a stable economy. They cannot be sustained in a setting of uncontrolled or hyperinflation and recurring foreign exchange crises. Thus, as a necessary precondition to growth and development, the achievement and maintenance of financial stability is a clear first priority Alliance objective. Apart from the inequities of inflation falling most heavily on those least able to afford it, financial and monetary instability clearly frustrate progress toward the social goals of the Alliance in such fields as education, employment, health and agricultural reform.

Progress toward this goal has been impressive during the Alliance years. Despite intensifying demands for substantially augmented public sector expenditures, most countries have avoided destabilizing fiscal and monetary policies by collecting more taxes and by following more disciplined budgetary practices. Thus, for all of Central America, Bolivia, Venezuela, Ecuador, and Mexico, inflation has been minimal, although public sector investments have risen substantially. Bolivia's performance in the Alliance years may be contrasted with the twenty-fivefold increase in price levels during the 1950's, with a record 179 percent inflation rate in 1955–56.

Inflation has been most serious in Argentina, Brazil, Chile, Colombia, and Uruguay, and has called for highest priority attention in those countries, even though stabilization measures sometimes have short-term depressive effects on growth. The well-managed stabilization programs in Chile, Brazil, and Colombia, with strong support from the United States, the IBRD, and the IMF, have not only curbed the profound inflationary surges in their economies, but also appear to have restored these countries to visible and promising growth paths. Whereas per capita GNP declined and the rate of inflation reached 80–90 percent in the 1963–1964 period in Brazil, the per capita growth in 1968 was 2.9 percent, and the price rise 24 percent. Colombia's 16 to 17 percent-average inflation rate in the early Alliance years has declined to a current rate of 6.5 percent, and GNP growth, though irregular, showed a healthy 6.17 percent increase in 1968. Chile's 39 percent price rise in 1964 has been moderated in recent years, although drought and other conditions have kept growth down. In Argentina, cost of living increases were annually above 20 percent throughout the mid-60's, but following stringent economic stabilization measures, 1968 price rises were kept to 10–11 percent.

A second and closely related priority goal in the charter is the achievement of regional *economic integration*. While of potentially immense significance to all countries, the priority of this goal within their development strategies is quite different from one country to the next.

For the small countries of Central America with a combined output of less than $5 billion, growth and development in the short- and long-term are closely tied to their ability to integrate their economies. The perfection of the regional market has been, and remains, among their highest immediate priorities. Progress toward this goal, strongly supported by U.S. assistance, has been notable, with integration increasingly operating as the catalyst to internal growth in these economies, and giving Central America some of the highest rates of growth of production and trade in the region.

A second group of countries—Colombia, Ecuador, Venezuela, Peru, and Bolivia—for which integration is also clearly essential but not quite so clearly an immediate precondition to growth as in Central America, have also begun to move toward this goal. The "Andean Group" arrangements, which have been under negotiation over the past few years have laid some of the basic groundwork for important results in the coming few years. On the other hand, relatively large internal markets in such countries as Argentina, Brazil, and Mexico, with gross national products of $15 to $30 billion equivalent or more, tend to reduce the short-term urgency of this goal in these countries, as compared to the goal of integrating internal markets and achieving the immediate potentials of internal growth.

Related closely to the stabilization and integration goals are the twin Alliance objectives of *export diversification and industrial growth*. The first of these objectives is of highest priority for most countries in the Hemisphere, since the economies of almost all are highly dependent upon the export earning of a very narrow range of primary commodities—coffee, tin, bananas, copper, and so on. Export diversification is essential as a means of increasing exports, out of whose earnings the foreign exchange requirements of development must be financed. It is also essential in order to insulate the Latin American economies from the impact of volatile or unfavorable movements in world markets of the prices of their major export commodities. Even a small drop in world prices for any of the major Latin American commodities can seriously derail development programs by reducing the availabilities of foreign exchange required to finance machinery, raw materials, and technology required for development. For example, a one cent drop in the world market price of coffee, reduces Brazil's foreign exchange earnings by some $23 million. Even though there has been considerable progress over the past 7 years toward regularizing world supply and demand for some of the key Latin American export commodities through international trade agreements, emphasis must remain on diversification. Progress here, which is closely related to industrial diversification, increased intraregional and world exports, and intense efforts to maximize agricultural export opportunities, is encouragingly reflected in the data. Decline in reliance on coffee as an export commodity has been significant in such major coffee growing countries as Brazil (coffee down from 53 to 44 percent of total exports), Colombia (74 to 65 percent), Costa Rica (56 to 40 percent) and Guatemala (67 to 31 percent).[1] Latin America exports of manufactured goods have increased from 9 to 13 percent of total exports over the period. Brazil's exports of manufactures in 1966 were almost four times their 1962 level, and iron ore exports have grown importantly. In Colombia, exports of chemicals, textiles and paper goods have gone up. Central American trade in manufactures and other nontraditional exports has been greatly stimulated by the Common Market.

The framers of the charter were concerned with growth and increased productivity. But they also recognized that the substance of development is more far-reaching, its core being the creation of widened access for all segments of the population to participation in the benefits of increased productivity. They therefore wisely combined the clear "productivity goals" of the Alliance with objectives for increased educational opportunity, agragian reform, and health and housing programs. Taken together, these goals are clearly means to, and preconditions for, what must be the primary development objective of the Alliance; that is, the attainment of a more ample and equitable distribution of income.

In this context the *educational goal* is not only fundamental as a means of increasing the productive efficiency of the Latin American peoples, but of the highest order of importance as the vehicle through which vast numbers of economically and politically disenfranchised people can acquire access to productive opportunity and a stake in development. Thus, for those countries with reasonable growth and stability, the priority need is to open up "access," through greater educational opportunity, which the economic preconditions make possible. Even for Brazil and Colombia, where the attainment of stabilization and growth have been the major preoccupation of governmental policy, it would seem that priority attention can now be (and apparently is being) given to educational goals. While this goal is of lesser consequence for such countries as Uruguay, Costa Rica, Argentina and Chile, where literacy rates are 85 percent or more and over two-thirds of all school-age children are enrolled, improvement in educational quality, particularly on the secondary and university levels, remains an important priority. For such countries as Bolivia, Honduras, and Guatemala, where less than a third are literate, but where more than half of the primary school-age children are now enrolled, the transcendent importance of the priority is evident.

Our analysis below demonstrates that there have been remarkable educational successes, but for most countries, when measured against the priority and the needs, progress is not yet adequate. Thus, for example, the number of children 5 to 14 years of age who were enrolled in school increased from 24.2 million in 1960 to 35.8 million in 1967, an increase in the percentage of that age group enrolled in school of from 47.8 to 56.8. At the same time, the absolute number of children not enrolled in school increased from 26.5 million in 1960 to 27.3 million in 1967.

[1] Data between 1962 and 1967.

The *agrarian reform* goal of the Alliance, by which is generally meant a redivision and distribution of land, is for most countries the most difficult goal to confront. Land reform involving the breaking up of large land holdings immediately brings a confrontation with an element of the power structure that is normally well represented in the national government attempting the reform. Also, for many countries, where there are large amounts of public land available for distribution, such as in Brazil and in parts of Central America, or where the key to rural progress lies in increased productivity by the poor landholder, be he owner or tenant, land reform through large scale distribution of existing titled properties is not the clear path to progress. For these reasons, many Latin American governments have put their priority emphasis on the promotion of agricultural productivity, including technological modernization, and market development including credit, extension services, feeder roads, and storage facilities. Half the countries increased their central government expenditures on agriculture by more than 50 percent from 1963 to 1967. Six of them more than tripled their allocations in that period, signaling their clear recognition of this priority area, and the desirability of acting immediately on the basic productivity and production problems. Increased agricultural productivity measures have directly affected and benefited millions of small, impoverished landholders or squatters. In Venezuela, for instance, the value of agricultural production rose from $574 per economically active person in 1961 to $821 in 1967. Credit cooperatives, extension services and pricing programs have brought visible benefits to millions and, as the data in our report indicate, have yielded considerable gains in productivity.

More basic approaches to the land tenure and distribution problem have come slowly, with many delays in securing needed legislation and required constitutional amendments. Legislatively authorized programs have also tended to start slowly as the administering agencies sought effective methods through careful planning and experimentation. There is still much controversy about how to select land for redistribution, to choose recipients, and how much and what kind of help the new owners need in order to be successful.

Mexico and Bolivia began their land reform with revolution, and have continued the process, with recent emphasis, however, increasingly focused upon productivity aspects. Venezuela, Colombia, and Chile have redistribution programs in various stages of advance. Brazil has taken important steps toward opening her vast, underutilized public lands to colonization and markedly improving agricultural productivity. Whether land distribution and productivity-inducing programs will reach the many millions of landless and impoverished peasants in Colombia, Peru, Ecuador, the northeast of Brazil, and the countries of Central America in time to avert political and economic turmoil yet remains a question critical to the future of the Alliance. The high priority of both productivity and distribution programs is clear.

Dramatic progress has been made toward alleviating certain of the pressing *public health* problems that led the Alliance architects to include health measures as a charter goal. Thus, the charter target of furnishing at least 70 percent of the hemisphere's urban population with potable water will be achieved by 1971. New or improved water-supply services have been brought to some 43 million people in the cities of Latin America. This objective was singled out as of very high priority because of the exceptionally high infant mortality rate and pervasively debilitating impact on urban populations of water-borne gastrointestinal disease.

The importance of the health goal and the remaining great health needs in the Americas are evident. Fulfillment of the goals will turn in large part on progress on other fronts, such as the elimination of malnutrition through increased food availability, and scientific break-throughs yet to come, for example, with a preventative for Chagas disease.

Almost every country in Latin America has successfully reorganized and reoriented its public health programs, and in each, considerable headway is being made in public health educational efforts, vaccination programs, malaria control, and other key programs. The great deficiencies in trained medical personnel are becoming increasingly recognized and while progress is slow as measured against the need, it is dramatic. The average number of physicians graduating each year has risen from 6,800 to 9,200 and will grow far faster when the 41 new medical schools opened since 1961 begin graduating classes at full capacity.

Examination of progress toward the individual Alliance goals raises several cautionary points which should be underscored. *First*, only a few of the goals are "self-interpreting" in that they offer clear-cut quantitative benchmarks against which to measure progress. Most are susceptible to a variety of measures and interpretations. In our discussion we attempted to describe these various ways of looking at the meaning of individual goals, and to make explicit the sense in which each is used in our analysis. *Second*, even in the few instances in which quantitative targets are specified, the significance for development of the attainment or nonattainment of any or some of the goals is not always selfevident. The significance of any country's performance vis-a-vis any particular goal or group of goals, or relative to other countries, is susceptible to quite varying interpretation. The tangled cause and effect relationships of goals and priorities in each country, and the many essentially qualitative aspects which must be weighed in assessing development progress preclude the application of mechanistic models in evaluating Alliance achievement. Inevitably, evaluative conclusions must be based upon judgmental weighing and analysis. While the data offer basic guidance for judgment, they often mask important interrelationships and significance. The trends measured by the statistics need to be taken only as indicators of the direction and order of magnitude of movement. Particularly when the average annual change over the period is small compared with the annual fluctuations, any large annual change will have a relatively strong effect on the average for the period. A relatively "successful" or "unsuccessful" country may switch to another rating group as the result of an atypical year's performance which, in fact, has little or no long-range significance. The reverse is also true. If annual country changes are relatively small, a country that has reversed its previous poor record may have to do well for a number of years before its average qualifies it to enter the relatively successful group.

Third, there is the question of comparability. Judging performance involves the weighing and comparing of various factors which actually may be incommensurate—an apples-and-oranges addition problem. How is a high level of attainment with a slow rate of improvement to be credited relative to a fast rate of improvement at a still low level of accomplishment? Thus, primary school enrollment may have increased greatly, but with one country going from 40 to 60 percent of the school-age population and another from 50 to 70 percent. Or one country may have reduced mortality only of children under 1 year, while another only of children from 1 to 5. Some countries performed well at the beginning of the period, and in spite of faltering, show better averages than poorer performers that recently have been progressing at an accelerating pace. Finally, there are cases especially in respect to price stabilization where we know that strong efforts have been made and deserve commendation even though accomplishment in the sense of achievement of relative price stability is as yet incomplete.

The question of whether the Alliance is attaining its goal points up the difficulty that has plagued this effort since its beginnings. There is no easy path to modernization of the traditional societies and archaic economies of Latin America. Yet the rhetoric of development has so overshadowed the reality, that reasonable men have been led to conclude that a decade of development could achieve progress to match that of the European nations under the Marshall Plan. The sober realities that must be faced, and the inevitable frustrations, delays, and turmoil which must accompany the basic social and economic change called for in the Alliance goals, have been increasingly forced upon those concerned with this great undertaking.

We believe that precisely this problem would have made more specific quantitative and time frame benchmarks undesirable. The most unrealistic goal of all would have the attainment of all the objectives of the Alliance, however quantified, in a 10-year period. Realism required that the goals be stated generally, leaving to the individual countries the assignment of priorities in light of their own unique needs and desires, obstacles and capacities. There can be no uniform definition of the extent of these needs for all the diverse countries of Latin America, much less a uniform estimate of the nature or cost of the policies and programs which are required.

The record shows significant accomplishment by every country in some area of Alliance objectives. There is no question that the goals are being pursued and can be met. Less clear is how long the process will take. That the original Alliance period of a decade was far too short a time span was realized long ago. It was formally recognized in President Johnson's message of November 23, 1965, to the Second Special Inter-American Conference at Rio de Janeiro:

> Recognizing that fulfillment of our goals will require the continuation of the joint effort beyond 1971. I wish to inform the Conference—and through you, your respective countries—that the U.S. will be prepared to extend mutual commitment beyond the time foreseen in the Charter of Punta del Este.

President Johnson's affirmation was subsequently reaffirmed by the Presidents of the American Republics meeting at Punta del Este in April 1967.

Note on Statistics

Throughout this study we have relied mainly on the statistical data used in the AID congressional presentation in the spring of 1968. Compilation of the updated series to be used in this year's presentation is not yet complete. In the process of annual updating, we frequently revise and refine prior year entries. Often entire series are revised as statistical collection agencies improve their work. It is possible, therefore, when the revised data are presented later this year, that certain trends may appear that give somewhat different measures of progress, and lead to somewhat different conclusions about the extent of accomplishment by individual countries, or their performance relative to other countries.

PART II. REVIEW OF THE GOALS

Charter Goals

Per Capita Growth

To achieve in the participating Latin American countries a substantial and sustained growth of per capita income at a rate designed to attain, at the earliest possible date, levels of income capable of assuring self-sustaining development, and sufficient to make Latin American income levels constantly larger in relation to the levels of the more industrialized nations. In this way the gap between the living standards of Latin America and those of the more developed countries can be narrowed. Similarly, presently existing differences in income levels among the Latin American countries will be reduced by accelerating the development of the relatively less developed countries and granting them maximum priority in the distribution of resources and in international cooperation in general. In evaluating the degree of relative development, account will be taken not only of average levels of real income and gross product per capita, but also of indices of infant mortality, illiteracy, and per capita daily caloric intake.

It is recognized that, in order to reach these objectives within a reasonable time, the rate of economic growth in any country of Latin America should be not less than 2.5 percent per capita per year, and that each participating country should determine its own growth target in the light of its stage of social and economic evolution, resource endowment, and ability to mobilize national efforts for development.

1. ANALYSIS OF THE GOAL

Among the few goals precisely quantified by the Latin American leaders in the Charter of Punta del Este was a minimum 2.5 percent annual increase in per capita GNP.

The slowdown in growth in many countries beginning in the latter half of the last decade and early 1960's vividly focused hemispheric attention on the need for extraordinary measures to strengthen their fragile economies. Failure to grow had many and varied root causes, with no two country situations being precisely alike. Not only were the policy and investment prescriptions different for each country, but so too, were the probable "development consequences" of attainment of this growth rate. The charter framers recognized, of course, that the 2.5 percent growth target masked these very important country differences but assumed quite reasonably that meaningful and sustained development was more likely to occur in a buoyant setting of 2.5 percent annual growth than in one of lagging productivity. They took as their growth benchmark the rate attained by the region in the relatively prosperous early 1950's. At 2.5 percent per annum, per capita income would double in 28 years. At a lesser rate, for example 1½ percent, this would require 48 years. A slower rate would thus offer considerably less hope of relieving the massive poverty of the region. This Alliance per capita growth target has since been assigned great significance by many as the most ready summary measure of progress.

While a per capita GNP growth rate is a convenient yardstick against which to gage development, it is a rough measure at best. It readily combines the effects of the growth of total national product and of population expansion. It also allows some limited inter-country comparisons, but masks or omits numerous other developmentally significant parameters. Also, there has been a tendency to use this shorthand index number as a measure of governmental effectiveness, such that perspicacity and vigor are uncritically attributed to governments of countries in which the rate is achieved, and incompetence or weakness to governments of countries which fail to obtain this magic number. This use of the index neglects the fact that many, if not most, of the forces which bear heavily upon GNP growth may simply not be within the immediate control of the government and that key development policies may not, on the other hand, be directly reflected in this index. Reasonable policies in such areas as investment incentives may be executed, for example, but still other factors such as adverse world prices for key export commodities may prevent the successful results sought. External factors, such as weather, and world market prices, have been very significant in affecting Latin American growth. Also, significant institutional reforms and the initiation of priority programs and investments may have little impact in the short run on per capita growth, but should make a substantial contribution to growth in the longer term. Further, as an "average," per capita growth masks the very uneven income distribution, the large gaps between rich and poor, and the disparities between urban and rural sectors, existing in many Alliance countries. The social and political obstacles to achieving this separate Alliance goal of more equitable distribution as well as the difficulties in measuring progress in the area are further discussed in the section on income distribution.

Great care is also required in using the per capita data for intercountry comparisons. Here comparisons are normally made in constant dollar terms, calculated at existing exchange rates. In reality, however, purchasing power within the many different economies in local currencies varies relative to the dollar in time, and from country to country. Thus, while perhaps a more useful index than most, levels of per capita income are not dependable indicators of relative real income among countries. Also, the short-term and artificial nature of the calendar year measuring period for national accounting often lumps together short-term fluctuations which distort or obscure important underlying trends. As a result, any single year-to-year change is apt to have little longer run significance.

Despite these many limitations, GNP growth remains the most convenient tool to measure increases in total national production and through that the changes in the resources which each country has available over time for consumption, investment, and exports, on which both welfare and growth depend.

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2. EXPERIENCE TO DATE

Over the Alliance period, Latin America has averaged 4.5 percent growth per year of its total combined GNP. In comparison, the United States averaged 5.1 percent per annum over the same period, and the OECD countries, 4.3 percent. Among other less developed regions, South Asia (India, Pakistan, Ceylon) showed 4.2 percent average yearly growth and Africa showed 4.0 percent. On the other hand developing nations in East Asia (Taiwan, Thailand, Korea, Philippines, Malaysia) averaged 7.1 percent total GNP growth per year from 1961 to 1967. Such performance in part reflects the successful development efforts of Taiwan, Thailand, and Korea. Since per capita GNP is a function of both output and population, it becomes evident that Latin American nations, with populations increasing at some of the fastest rates in the world, must attain total growth rates of 5.5 percent and more—higher than the United States average—to attain the Alliance goals of 2.5 percent per capita. The difficulty of attaining this target must not be underestimated. Per capita growth is a function of the change in GNP related to the change in population. While GNP growth has been respectable, indeed exceptional for some countries, population increase has also been rapid. It is in this ratio of population to productivity growth that the major dilemma of the Alliance resides. While attention has been focused thus far upon GNP growth, the population denominator in the equation is now being given increasingly more emphasis.

Turning to the specifics of the actual Alliance period and progress toward the per capita growth rate goal, the figure combining average performance of all 18 Republics over all Alliance years (1961–67) is 1.5 percent. The actual significance of this figure, however, can be understood only in analyzing individual country growth rates. Seven countries surpassed the Alliance target, some by a substantial margin: Panama (4.7 percent), Bolivia (3.4 percent), Mexico (3.1 percent), Nicaragua (3 percent), El Salvador (2.9 percent), Peru and Costa Rica (both 2.6 percent). Those whose per capita growth rates exceeded the regional average (1.5 percent) but did not achieve the minimum target of 2.5 percent are: Chile (1.8 percent), Guatemala (1.7 percent), Ecuador (1.6 percent), and Venezuela (1.5 percent). In the low growth group fall Colombia (1.1 percent), Brazil (0.9 percent), Honduras (0.9 percent), Dominican Republic (0.5 percent), Argentina (0.4 percent), Paraguay (0.2 percent), and Uruguay (−1.1 percent). With one exception, per capita income growth in these latter countries has fluctuated widely from year to year. Brazil's per capita growth rate, on the other hand, has been moving steadily upward from a low base since 1963 of −1.4 to 2.4 percent in 1967 and a projected 2.9 percent in 1968. Colombia's projected 1968 growth of 2.8 percent per capita moves it for that year out of the low growth category too.

Although data is still preliminary, the 1968 regional per capita growth rate will apparently come very close to the Alliance goal of 2.5 percent. Economic recoveries in Brazil, Argentina, and Colombia as well as continued high growth in Mexico and Venezuela contribute to this achievement. A brief glance at the country groups will make evident a diversity of characteristics in respect to levels of industrialization, resource endowment, size of economy and population, relative amounts of external assistance, type of political system, level of per capita GNP, etc. Within each of the three groups, the countries combined and used the total resources available to them an varying unique ways. Bolivia's output per person in 1967 for example measured only $161, while Mexico's was $507. Yet the two countries grew at very much the same rates.

3. CONCLUSION

All things considered, the 2.5-percent target is a useful, short hand, and very qualified measure of performance. To jettison this target would be difficult, given the importance it has had in Alliance discussions. Also, it provides a useful vehicle for focusing attention in the Americas on the substantively central issues that lie behind the per capita growth figure, such as productive capacity and efficiency, saving and investment levels and allocation, population and employment, and income distribution. Despite all its many limitations, we therefore see no objection to its retention as a goal for the future.

TABLE A.—AVERAGE ANNUAL INCREASES OF PER CAPITA GNP

	1961 to 1967	Preliminary estimates 1968
Panama	4.7	
Bolivia	3.4	4.2
Mexico	3 1	3.3
Nicaragua	3.0	2.1
El Salvador	2.9	−0.2
Peru	2.6	−1.0
Costa Rica	2.6	3 7
Chile	1.8	.9
Guatemala	1.7	1.8
Ecuador	1.6	1.7
Venezuela	1.5	2.0
Average	1.5	2.5
Colombia	1.1	2.8
Brazil	.9	3.3
Honduras	.9	1.6
Dominican Republic	.5	.5
Argentina	.4	3.4
Paraguay	.2	1.3
Uruguay	−1.1	−1.5

TABLE B.—GROWTH IN TOTAL AND PER CAPITA GROSS NATIONAL PRODUCT IN THE LATIN AMERICAN REPUBLICS

[GNP in millions of U S dollars, per capita GNP in U S dollars]

	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Argentina:								
Gross national product	13,780	14,710	14,450	13,950	15,060	16,380	16,240	16,550
Percent change		6.7	−1.8	−3 5	8	8 8	−0 9	1.9
Per capita GNP	667	700	677	643	684	733	716	718
Percent change	------	4.9	−3.3	−5	6.3	7.1	2 4	0.3
Bolivia:								
Gross national product	488	498	527	559	584	616	659	698
Percent change		2	5 8	6	4 5	5.5	7	5.6
Per capita GNP	132	132	136	142	145	149	156	161
Percent change		0	3.5	3 7	2.1	3	4.5	3.1
Brazil:								
Gross national product	20,080	21,540	22,700	23,060	23,780	24,700	25,790	27,100
Percent change		7.3	5 4	1.6	3.1	3 9	4.4	5 1
Per capita GNP	286	297	304	300	300	303	307	316
Percent change		4.2	2.3	−1.4	0.1	0.8	1.4	2
Chile:								
Gross national product	3,623	3,848	4,028	4,226	4,395	4,597	4,867	5,040
Percent change		6 2	4 7	4.9	4	4.6	5 9	3 6
Per capita GNP	471	490	502	514	524	536	556	563
Percent change		4	2.5	2.5	1.8	2.2	3.9	1.2

See footnotes at end of table, p 15

TABLE B.—GROWTH IN TOTAL AND PER CAPITA GROSS NATIONAL PRODUCT IN THE LATIN AMERICAN REPUBLICS

[GNP in millions of U.S. dollars; per capita GNP in U.S. dollars]

	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Colombia:								
Gross national product	4,204	4,389	4,590	4,724	5,013	5,177	5,462	5,675
Percent change		4.4	4.6	2.9	6.1	3.3	5.5	4
Per capita GNP	273	276	280	279	287	287	293	295
Percent change		1.1	1.3	−0.3	2.8	0	2.2	0.8
Costa Rica:								
Gross national product	468	469	500	528	546	593	631	669
Percent change		.2	6.6	5.6	3.4	8.6	6.4	6
Per capita GNP	376	363	373	379	378	395	405	420
Percent change		−3.5	2.8	1.6	−0.3	4.6	2.5	2.5
Dominican Republic:								
Gross national product	854	807	918	967	1,034	889	996	1,026
Percent change		−5.5	13.8	5.3	6.9	−14	12	3.0
Per capita GNP	282	256	282	287	296	245	266	264
Percent change		−9.2	9.8	1.7	3.1	−17	8.3	−0.6
Ecuador:								
Gross national product	962	974	1,022	1,071	1,147	1,186	1,245	1,310
Percent change		1.2	4.9	4.8	7.1	3.4	5	5.2
Per capita GNP	223	219	223	226	234	233	237	241
Percent change		−1.8	1.8	1.4	3.6	−0.1	1.6	1.8
El Salvador:								
Gross national product	583	608	688	713	764	801	745	880
Percent change		4.3	13.1	3.6	7.2	4.8	5.5	4.1
Per capita GNP	234	237	260	261	271	275	281	286
Percent change		1.2	9.7	0.4	3.9	1.5	2.2	0.6
Guatemala:								
Gross national product	1,028	1,067	1,094	1,232	1,313	1,410	1,473	1,438
Percent change		3.8	2.5	12.6	6.6	7.4	4.5	3.6
Per capita GNP	262	263	261	285	294	305	309	293
Percent change		0.4	−0.8	9.2	3.2	3.9	1.2	0.4
Haiti:								
Gross national product	([2])	([2])	([2])	([2])	([2])	[1] 327	([2])	([2])
Percent change		([2])	([2])	([2])	([2])	([2])	([2])	([2])
Per capita GNP	([2])	([2])	([2])	([2])	([2])	[1] 70	([2])	([2])
Percent change		([2])	([2])	([2])	([2])	([2])	([2])	([2])
Honduras:								
Gross national product	429	430	449	460	485	516	536	556
Percent change		0.2	4.4	2.4	5.4	6.4	3.9	3.7
Per capita GNP	221	215	217	216	221	228	230	227
Percent change		−2.7	1.3	−0.6	2.3	3.2	0.7	0.3
Mexico:								
Gross national product	15,150	15,680	16,430	17,460	19,210	20,240	21,770	23,160
Percent change		3.5	4.8	6.3	10	5.4	7.6	6.4
Per capita GNP	420	421	426	438	466	474	493	507
Percent change		.2	1.2	2.8	6.4	1.8	4	2.8
Nicaragua:								
Gross national product	378	403	444	477	505	548	567	624
Percent change		6.6	10.2	7.4	5.9	8.5	3.5	4
Per capita GNP	268	277	297	310	316	331	331	352
Percent change		3.4	7.2	4.4	2.2	4.8	−.1	.5
Panama:								
Gross national product	430	476	518	561	589	640	703	755
Percent change		10.7	8.8	8.3	5	8.6	9.8	8.2
Per capita GNP	405	435	458	481	489	514	546	568
Percent change		7.4	5.4	4.9	1.7	5.1	6.3	4.7
Paraguay:								
Gross national product	377	386	408	417	431	456	463	468
Percent change		2.4	5.7	2.2	3.4	5.8	1.5	1.1
Per capita GNP	215	214	220	219	221	227	225	217
Percent change		−.5	2.7	−.6	.8	3	−1.2	−2
Peru:								
Gross national product	2,438	2,637	2,881	2,990	3,224	3,362	3,547	3,700
Percent change		8.2	9.3	3.8	7.8	4.3	5.5	4.3
Per capita GNP	243	256	271	273	285	289	295	299
Percent change		5.3	6.1	.7	4.6	1.1	2.3	1.2
Uruguay:								
Gross national product	1,458	1,502	1,469	1,454	1,511	1,526	1,565	1,525
Percent change		3	−2.2	−1	3.9	1	2.6	−2.6
Per capita GNP	575	584	562	549	563	562	569	547
Percent change		1.6	−3.9	−2.4	2.6	−.2	1.2	−3.9

See footnotes at end of table, p. 15

TABLE B — GROWTH IN TOTAL AND PER CAPITA GROSS NATIONAL PRODUCT IN THE LATIN AMERICAN REPUBLICS

[GNP in millions of U.S. dollars, per capita GNP in U.S. dollars]

	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Venezuela:								
Gross national product	6,060	6,120	6,440	6,735	7,345	7,720	7,940	8,340
Percent change		1	5.2	4.6	9.1	5.1	2.8	5
Per capita GNP	823	804	818	827	872	885	879	892
Percent change		−2.3	1.8	1.1	5.5	1.5	−.7	1.4
Subtotal, 5 CAEC Republics:								
Gross national product	2,886	2,977	3,175	3,410	3,613	3,868	4,052	4,167
Percent change		3.2	6.7	7.4	6	7.1	4.8	4.2
Per capita GNP	262	262	270	282	288	299	303	302
Percent change		0	3.3	4	2.5	3.7	1.4	.8
Total, 18 Latin American Republics:								
Gross national product	72,790	76,544	79,556	81,584	86,936	91,357	95,299	99,514
Percent change		5.2	3.9	2.5	6.6	5.1	4.3	4.5
Per capita GNP	374	382	385	384	397	406	411	418
Percent change		2.4	1	−0.4	3.6	2.1	1.3	1.5
Total, 18 Latin American Republics without Argentina and Brazil:								
Gross national product	38,930	40,294	42,406	44,574	48,096	50,277	53,269	
Percent change		3.5	5.2	5.1	7.9	4.5	6	
Per capita GNP	375	376	384	391	409	414	425	
Percent change		0.3	2.1	1.8	4.6	1.2	2.7	

[1] Rough estimate

[2] Trend data not available.

Note: GNP data are expressed in 1966 constant prices, converted to dollars at official or effective 1966 exchange rates; they remain unadjusted for inequalities in purchasing power among countries. All data are approximate, but per capita GNP growth rates in particular may show some apparent discrepancies due both to variations in estimated annual population growth and to the effects of rounding. Data not shown are not available in this form. 1967 data are estimates based on available information as of January 1968.

Source: AID: PC/SRD.

Income Distribution

To make the benefits of economic progress available to all citizens of all economic and social groups through a more equitable distribution of national income, raising more rapidly the income and standard of living of the needier sectors of the population, at the same time that a higher proportion of the national product is devoted to investment.

1. Analysis of the Goal

If the purpose of development is broadly viewed as being the attainment of a more adequate and ample income distribution this goal can be viewed as the paramount Alliance objective. In this sense the other charter objectives are means to this end.

The aim, as in the case of per capita income growth, was increased welfare for the economically disadvantaged. Greater income for the poor can come from either greater output or more equitable distribution. However, measures to transfer income may reduce saving and investment by the higher income groups, increase the total of resources used for consumption, and reduce the rate of growth of output. The authors expressed their recognition of this problem by specifying that a higher proportion of the national product should also be devoted to investment. On the other hand, if conflict between growth and distribution policies can be avoided, it is clear that the higher the growth rate, the easier it may be, both economically and politically, to carry out policies with redistribution effects, since no groups need suffer an absolute decline in income.

Standards of living are affected not only by changes in levels of personal income in cash or kind, but by the availability, quality, and relative prices of goods available for personal consumption, and by the total environmental conditions under which people live, including the adequacy of public health and education facilities, social insurance, employment opportunities, and civil and political rights. There is no precise way to measure total economic welfare in this sense, or to compare the welfare of one group with that of another.

2. EXPERIENCE TO DATE

While the developed countries of the world have statistical systems which turn out data relating the number of individuals or families in an economy with various levels of annual income, most Latin American countries have not collected this kind of information and none has collected it over time so as to permit measurement of change through the Alliance period. Census and household budget survey programs getting underway in several countries should provide considerable help for the future, although none can reasonably be expected to remedy fully the conceptual difficulties discussed above of measuring income comparable in welfare terms.

A U.N. Economic Commission for Latin America study issued in 1967 showed income structures of Argentina, Brazil, and Mexico that were remarkably similar with the top 10 percent of the population receiving about 40 percent of total income, and the bottom 40 percent receiving 10 to 14 percent. It seems likely that these basic proportions have changed little since the early 1960's.

Scattered data on wage rates in relation to prices (i.e., "real" wage rates) in various industries in various countries show increases, but there is no reliable way to separate any redistributive element from the positive influences of general income growth, special prosperity or union strength in specific industries, or the negative influences of anti-inflation programs, or unemployment, rural-to-urban migration, and accompanying overcrowding of service trades.

Until more appropriate direct data are collected, we are left mainly with indirect indicators. These are provided, for example, by developments in the fields of health and education. Increasing life expectancy, through improved sanitation and nutrition, malaria control, and inoculation against the epidemic diseases, and more widespread access to education are major welfare-sharing mechanisms as well as means for making the disadvantaged groups more productive. The priority attention being given in development planning to increasing agricultural productivity also aims at helping some of the lowest income groups in the region, namely the agricultural worker and small cultivator.

3. CONCLUSION

The unavailability or weakness of data reflecting shifts in welfare and income distribution handicap—but do not make impossible—national development and aid programing. Continued and more intensive efforts to develop and reform such data are clearly important to better measurement of problems and progress. While we may not be able to compare exactly the relative income and consumption of the millions of the poor who till the soil, we know that every country needs to take a variety of measures to make this group productive, both as a means to improved welfare and as a base for economic development and growth. Similar judgments can be made for education, employment, and urban development policies. Governments and aid agencies can tell where to put their money by looking at the basic economic and social problems such as those revealed in the examination of the other Alliance objectives.

Trade Diversification

To achieve diversification in national economic structures, both regional and functional, making them increasingly free from dependence on the export of a limited number of primary products and the importation of capital goods while attaining stability in the prices of exports or in income derived from exports.

1. Analysis of the Goal

This goal reflects the long-standing concern with the dependence of the Latin American countries on the export of a few primary commodities. The degree of this dependence varies of course from country to country. For Mexico, which already trades in a large number of commodities, trade diversification is a lower priority goal than, for example, Brazil or Colombia who depend heavily on coffee, or Chile, whose exports are 70 percent copper, or the Dominican Republic, half of whose exports are sugar.

Success in this area, along with industrialization, is a good general indicator of economic development. Progress in achieving this objective can be measured, among other ways, by considering trends in development of main sectors contributing to Latin America's gross domestic product, and also by analyzing the composition of the region's exports.

2. Experience to Date

The evidence of diversification under way in the structure of Latin America's economies is encouraging. A look at Latin America's gross domestic product, by sector (table A), shows a generally healthy momentum in industrial production, particularly the manufacturing sector, which accounted for a 23 percent share of total product in 1966 compared with 21.3 percent in 1960. Conversely, the share of agriculture decreased to 20.8 percent in 1966 from 21.8 percent in 1960.

A review of the composition of Latin America's exports during the decade of the 1960's confirms progress in diversification, indicated not only by an increased percentage of exports of manufactures and semimanufactures, but also by a swing away from dependence on only one or two commodities among exports of primary products.

Data for 1960–66 show exports of manufactures and semimanufactures (SIT [2] categories 5–8) increasing from 9 percent of total exports in 1960 to 13 percent in 1966. The rate of growth of exports of manufactures and semimanufactures during the period has been more dynamic than that of total exports—91 percent over the 6-year period, compared with a 35-percent expansion for all exports (table D).

[2] Standard International Trade Classification.

The growing importance of manufactures in total exports is notable, for instance, in the cases of Argentina, Brazil, and El Salvador (table C). In Argentina, exports in the SITC 5–8 categories increased from 4 percent of total exports in 1962 to 6 percent in 1966, growing by 136 percent, compared to a 31 percent growth for total exports. Brazil's exports of manufactures increased by 235 percent from 1962 to 1966, compared to a 43 percent increase in overall exports; as a share of Brazil's total exports, manufactures, and semimanufactures grew from 3 percent in 1962 to 7 percent in 1966. Developments in El Salvador are even more striking: exports of manufactures in 1966 were 291 percent above 1962 levels, representing an expansion in manufactures' share of total exports from 8 percent to 23 percent. In Mexico, on the other hand, where manufactures already accounted for a substantial portion of total exports in 1962—23 percent, this share remained at approximately the same level throughout the period. While exports of manufactures grew at a less dynamic rate than total exports—8 percent as compared with 33 percent, the growth rate for the manufacturing sector reached 10 percent in 1966, well above the average for the last decade (8 percent); thus, manufacturing was the principal factor responsible for the overall growth of Mexico's gross national product in that period.

Evidence of increasing diversification in Latin America's exports is also found in intrazonal trade. As indicated in table D, intra-LAFTA trade, while still consisting largely of primary products, shows a growing relative importance of both manufactures and semimanufactures.

The growth of the industrial sector is not the only evidence of diversification of the economic base, and diminishing dependence on traditional export products. For instance, in 1962, six Latin American countries depended on coffee for more than 50 percent of their total export receipts; by 1967 the number had dropped to two. A comparison of the relative importance of coffee in the total trade of the major coffee-exporting countries in 1962 and 1967 (see table E) shows decreasing dependence on coffee in all but two countries, and in these two, coffee was not of major importance. Additional evidence of the movement into new lines of agricultural production is found in the rapid growth of meat exports from the Dominican Republic and Central America in recent years.

3. CONCLUSIONS

The goals of the Alliance with respect to diversification of industry and agriculture are as important to the development of healthy Latin American economies today as they were in 1961. Whether the momentum of recent years can be maintained depends on many factors, first among which is the ability of the countries to maintain financial stability. Rapid progress toward development of an integrated Latin American Common Market would provide a stimulus to more rapid diversification of both industry and agriculture. Also, proposals now under consideration for according preferential tariff treatment to exports of less developed countries could be an important factor in encouraging diversification of Latin American industry and broadening the range of products which figure in Latin America's export trade. The recently established Inter-American Export Promotion Center in Bogotá, Colombia, should make a contribution to the export diversification program by developing market information and providing Latin American entrepreneurs with training in marketing and advertising methods.

Diversification of agriculture in countries overly dependent on a few crops should continue to receive priority attention.

We conclude not only that this goal should be kept, but also that in fact it is a basic economic policy goal of almost every Latin American government. Since the major constraints may well be in trade opportunities with Europe and the United States, this goal should be stressed in United States and European policies vis-a-vis the Latin American countries.

TABLE A—LATIN AMERICA: GROSS DOMESTIC PRODUCT, BY SECTOR,[1] 1960, 1965, AND 1966

[Percentages]

	1960	1965	1966
1 Agriculture, forestry and fisheries	21.8	21.5	20.8
2 Mining and quarrying	5.1	5.0	4 9
3 Manufacturing	21 3	22 3	23 [illegible]
4 Construction	3 3	3 0	3 [illegible]
5 Electricity, gas and water	1 4	1.7	1.8
6 Transport and communications	6.5	6.5	6.5
Subtotal: Essential goods and services	59 4	60 0	60.2
7. Trade and finance	18 2	18 5	18.5
8 Public administration and defense	7.3	6.8	6.8
9 Other services	15 1	14 7	14 5
Total	100.0	100.0	100.0

[1] Calculated on the basis of the gross domestic product at factor cost and expressed in constant 1960 prices.

Source: ECLA, on the basis of official statistics

TABLE B.—LATIN AMERICAN EXPORTS BY COMMODITY CLASSES, 1960-66

[Millions of dollars f o b]

	Total[1] (SITC 0-9)	Manufactures (SITC 5-8)	Percent of total
1960	8,610	800	9.3
1961	8,710	823	9.5
1962	9,170	859	9 4
1963	9,740	983	10.1
1964	10,600	1,146	10.8
1965	10,060	1,284	11.6
1966	11,660	1,526	13 1
Increase 1960 to 1966 (percent)	35	91	

[1] SITC section 9. Miscellaneous transactions and commodities—n.e s.

Source "Monthly Bulletin of Statistics," United Nations, March 1966 and March 1968.

TABLE C.—EXPORTS OF SELECTED LATIN AMERICAN REPUBLICS BY COMMODITY CLASSES—1962–66

[Millions of dollars f o b.]

	Total [1] (SITC 0–9)	Manufacturers (SITC 5–8)	Percent of total
Argentina			
1962	1,216	42	3 5
1963	1,365	84	6 2
1964	1,410	104	7.4
1965	1,493	82	5 5
1966	1,593	99	6.2
Increase	31	136	
Brazil:			
1962	1,214	37	3.1
1963	1,406	42	3.0
1964	1,430	77	5.4
1965	1,595	127	8 0
1966	1,741	124	7 1
Increase 1962 to 1966 (percent)	43	235	
El Salvador			
1962	136	11	8 1
1963	154	19	12 3
1964	178	25	14 0
1965	189	33	17.5
1966	189	43	22.8
Increase 1962 to 1966 (percent)	39	291	
Mexico			
1962	899	208	23.1
1963	936	263	28.1
1964	1,022	223	21.8
1965	1,111	238	21.4
1966	1,192	225	18.9
Increase 1962 to 1966 (percent)	33	8	

[1] SITC section 9: Miscellaneous transactions and commodities, n e s.

Source: "America en Cifras" 1967, OAS.

TABLE D—INTRA-LAFTA TRADE FOR THE YEARS 1962–65.CLASSIFIED AS PRIMARY PRODUCTS, SEMI-MANUFACTURES, AND MANUFACTURES

[In thousands of U S. dollars and percentages]

	1962	1963	1964	1965
Total value	$321,836.9	$446,393.0	$573,895.3	$676,933.3
Primary:				
Value	$232,262.6	$298,591.2	$388,615.0	$446,870 4
Percent of total	72.2	66.9	67.7	66.0
Semi-Manufactures.				
Value	$71,229.3	$117,115.2	$143,733.9	$181,892.8
Percent of total	22.1	26.2	25.1	26.9
Manufactures:				
Value	$18,345 0	$30,686.6	$41,546.4	$48,170.1
Percent of value	5.7	6.9	7.2	7.1

Source: Compiled by using LAFTA trade data and applying criteria for classifying products contained in definitions developed by the United Nations Statistical Survey and the UNCTAD Secretariat.

TABLE E—DECLINE IN RELATIVE IMPORTANCE OF COFFEE IN LATIN AMERICA'S EXPORT TRADE, 1962–67

[Dollars in millions]

Country	1962 Exports all commodities	1962 Exports coffee	1962 Percent coffee	1967 Exports all commodities	1967 Exports coffee	1967 Percent coffee
Brazil [1]	1,214	643	53.0	1,652	733	44.0
Colombia [1]	464	343	74 0	498	322	65.0
Costa Rica [1]	85	47	56 0	138	55	40.0
Dominican Republic [1]	172	20	12 0	152	17	11.0
Ecuador	117	21	18.0	191	41	22 0
El Salvador [1]	140	74	53.0	200	99	50 0
Guatemala [1]	109	74	67.0	215	58	31.0
Haiti [1]	30	21	70 0	36	13	37.0
Honduras [1]	78	11	15 0	160	17	11.0
Mexico [1]	901	71	8.0	1,172	64	6.0
Nicaragua [1]	82	15	19.0	146	21	14.0
Panama [1]	36	1	4.0	91	1	2.0
Peru [1]	540	24	5.0	774	27	3 0
Venezuela	2,740	14	16.5	2,830	15	.5
Total W. H.	7,108	1,380	18.1	9,105	1,501	16.5

[1] Countries whose dependence on coffee has decreased.

Source: Annual Coffee Statistics, Pan American Coffee Bureau, 1962 and 1967.

INDUSTRIALIZATION

To accelerate the process of rational industrialization so as to increase the productivity of the economy as a whole, taking full advantage of the talents and energies of both the private and public sectors, utilizing the natural resources of the country and providing productive and remunerative employment for unemployed or part-time workers. Within this process of industrialization, special attention should be given to the establishment and development of capital-goods industries.

1. ANALYSIS OF THE GOAL

Industrialization has long been a symbol of economic development, as well as a major instrument of production and welfare as economies develop. The relation of industrialization to overall growth and development, however, is not a simple one. Many less developed countries have tended to promote industrial expansion while neglecting agriculture and education. In many cases, this leaves industry with an inadequate raw materials and human resource base for efficient production, while low output and income in other sectors restricts demand for industrial products.

Indicators of industrial growth, therefore, are only rough measures or outlines of what is happening in an economy. They give little indication of the desirability or efficiency of that expansion, or whether some of the capital spent on it might have been more productive if used for other purposes Nevertheless, they remain valuable means of measuring the overall direction and rate of change of the structure of developing economies.

2. EXPERIENCE TO DATE

Industrial activity

Reports on gross domestic product show that value added in manufacturing contributed a larger percentage of the gross domestic product and income in 1966 than it had in 1960 in 15 of 18 republics. For the region as a whole, manufacturing now contributes approximately one-fourth of the gross domestic product, with the second largest share, about one-fifth, coming from agriculture, forestry, and fishing.

Those countries with the largest percentages of gross domestic product coming from factories are among those considered the most advanced of the region. They are, in order of the relative size of manufacturing production, Argentina, Brazil, Mexico, and Chile. The greatest relative increases during the 1960–66 period were in Panama and El Salvador, in both of which the percentage derived from manufacturing increased by about one-fourth.

In the 12 countries for which figures are available on growth of output measured by value of end products, there was an average increase of 40 percent between 1960 and 1966. Production more than doubled in Panama and El Salvador and increased by two-thirds in Peru and Mexico. The smallest increase reported was that of Uruguay, 9 percent, but even there the index of manufacturing had advanced to 12 percent above the level in 1963.

Another indication of industrial advance in Latin America is furnished by the reports on production of electric power. Output during the Alliance years in Latin America rose from 69 billion kilowatt-hours in 1961 to 100 billion in 1966, with 106 billion estimated for 1967. The 45-percent increase from 1961 to 1966 was exceeded in 11 of the 18 countries. Output in Honduras doubled in the 5 years, and five other countries increased power production by 75 percent or more. Two-thirds of the power is produced in Brazil, Mexico, and Argentina. The relative increases in these countries were: Brazil, 34 percent; Mexico, 62 percent; and Argentina, 33 percent.

3. CONCLUSION

Industrial growth in Latin America continues to outpace growth of total output—showing that most countries are making progress toward this Alliance goal. The imprecise meaning of this growth, however, leads attention to other means of diagnosing and appraising country problems, policies, and development progress. The goal is useful, however, as a shorthand trend indicator of progress.

TABLE A.—MANUFACTURING AS PERCENT OF GROSS DOMESTIC PRODUCT AND ELECTRIC POWER PRODUCTION OUTPUT

Latin American Republics	1960	1966	Percent change	Million kilowatt-hours 1961	Million kilowatt-hours 1966	Percent change
Total		23.8		68,785	[1] 99,927	45.3
Argentina	32.2	33.4	3.7	11,550	[2] 15,400	33.3
Bolivia	13.4	14.5	8.2	460	[2] 580	26.1
Brazil (including mining, construction, utilities)	26.0	27.0	3.8	24,400	32,650	33.8
Chile	23.3	24.4	4.7	4,880	6,600	35.2
Colombia	17.0	18.6	9.4	3,780	[1] 6,870	81.7
Costa Rica (including mining)	17.2	18.3	6.4	460	[1] 700	52.2
Dominican Republic	17.5	16.5	−5.7	370	[2] 620	67.6
Ecuador	15.6	17.4	11.5	410	[2] 630	53.7
El Salvador	14.6	18.1	24.0	270	[1] 480	77.8
Guatemala	12.9	14.3	10.9	290	[1] 520	79.3
Honduras	12.1	14.4	19.0	100	[2] 200	100.0
Mexico	23.0	26.1	13.5	11,750	19,000	61.7
Nicaragua	[3] 12.8	[4] 14.1	[5] 10.2	200	360	80.0
Panama	13.0	16.3	25.4	260	470	80.8
Paraguay	16.7	16.1	−3.6	100	[1] 140	40.0
Peru	17.2	[6] 16.5	−4.1	2,940	[1] 4,080	38.8
Uruguay (including mining)	21.2	22.6	6.6	1,330	1,840	38.3
Venezuela	12.6	14.6	15.9	5,220	8,740	67.4

[1] Estimate
[2] Preliminary.
[3] 1965
[4] 1967
[5] 1967/1965.
[6] 1963

Source: Economic Data Book and Economic Growth Trends, December 1968.

Agricultural Development

To raise greatly the level of agricultural productivity and output and to improve related storage, transportation, and marketing services.

1. ANALYSIS OF THE GOAL

This Alliance goal is not expressed in terms of the quantitative dimensions of contemplated growth or improvement, and accordingly is open to considerable flexibility of interpretation. Generality in the statement of the goal was appropriate in the face of the scope, diversity, and complexity of agriculture sector problems, involving as they do so wide a variety of crops grown under so many different conditions, and encompassing not only production, but a wide range of input commodities and services, supply and marketing institutions, and world market supply and demand conditions.

The indexes of agricultural production for the Latin American countries prepared by the U.S. Department of Agriculture illustrate certain of the difficulties of evaluating improvements in output. Over the 8 years from 1960 to 1968, the indexes for all but two of the countries listed in table B rose markedly. It is, however, a trivial view of the goal which would deal only with gross output and not relate it to needs. Yet there is no simple way to relate production to needs, since country resource endowments are so varied, and countries can or should import and export widely differing proportions of their consumption and output.

Productivity, as distinguished from production, could be indicated by output per worker, or by yield per unit of land. However, it is not reasonable to interpret a productivity goal as contemplating that all countries producing a given crop should attain yields approximating those found in countries with the highest attained yields. Variations in the quality and fertility of the soil, in climate, rainfall, use of irrigation, in available labor, all argue against such an interpretation. The U.N. Food and Agriculture Organization's 1967 Production Yearbook provides yields per hectare for a wide variety of crops. In the attached table these are presented for 18 Latin American countries and 11 major crops, expressed as 100 kilos per hectare. This publication shows that the yields per hectare vary considerably among the countries listed. Cassava yields, for example, are 8.5 times as great in Argentina as in Costa Rica; the sugarcane yield is six times as great in Peru as in Honduras; Nicaragua produces 5.3 times as much cotton per hectare as does Paraguay; and so forth. *Increases* in yields may be a more useful indicator of progress, but the difficulty of judging the degree of success remains. Crop yields can be computed for the same-country at different dates, but unfortunately it is often difficult to discern trends because of relatively great year-to-year variations in output, due, for example, to varying weather conditions even when acreage remains about the same. For example, potato productivity per hectare in Argentina in 1965 was 20 percent greater than in 1961, but productivity in 1966 was 12 percent below that of 1961. Or to consider an example in the other direction, the yield per hectare of corn in Nicaragua in 1965 was 25 percent below the 1961 yield, but the 1966 yield was 12 percent above the 1961 yield. To discern the real trends, the data should be smoothed by using moving averages or fitted curves which dampen the influence of short-term variations. The Alliance period has not been long enough to provide a sufficient number of observations in the series needed for this purpose. The same problems and limitations apply to many other indicators snch as credit availabilities, numbers of agricultural technicians, and public expenditures on agriculture. High prices may indicate undesirable scarcity or a policy of desirable incentives to producers; low prices may reflect efficiency and abundance, or acute discouragement to expansion and modernization.

All things considered, the best general indicator of agricultural progress is the index of agricultural production per capita. A reasonable transition of the goal into a common measure would be raising the level of agricultural production at a pace greater than the growth of the population. Such a formulation would at least suggest the direction of movement of each country's ability to satisfy its needs.

2. EXPERIENCE TO DATE

The index of agricultural production per capita over the period shows that, despite the increases in total output attained, the output per head for the region as a whole did not increase appreciably over the period. However, the regional average conceals a rather wide range of individual country experiences from major increases to substantial declines. While use of single years as base and as end of the period makes the result overly subject to the influence of especially good or bad crop years, the data for the Alliance period show seven countries with increases of 5 percent or more in per capita production, eight countries with declines of 5 percent or more, and three with no significant change (i.e., less than 5 percent).

Some indication of recent trends in agricultural productivity may be had from FAO data on production and acreage for the leading crops of each country. To reduce the problems of measurement resulting from annual fluctuations in production, the FAO data were averaged for 1961 and 1962 and for 1965 and 1966, and the differences between yields based on these averages for the five principal crops of each country represent measures of changes in agricultural productivity during most of the Alliance period. The discerned changes in yields for individual crops were converted to national weighted averages with weights proportional to the 1967 dollar value of output of each crop in each country as reported by the U.S. Department of Agriculture.

In all, yield figures were examined for five crops in each of 18 countries, or a total of 90 crop-country combinations. In 60 of the 90 cases, or two-thirds, there were increases in yields. In a few cases, out of 18 countries, there were more crops with declines in yields than with increases, and there was no country which did not have an increase in yield in at least one of its principal crops. It is therefore clear that some progress has been made during the Alliance period in raising agricultural productivity.

It is also clear that the bald figures on the numbers of crops for which there have been increased yields do not tell the whole story, and indeed, may even present a misleading impression. For one thing some of the changes in yield may be so small that they are dwarfed by possible errors of measurement; in such cases prudence dictates that they be considered as representing no change at all. Of the 90 crop yields reviewed, 30 changed by less than 5 percent. These include 28 percent of the crops showing gains in yield and 43 percent of those showing losses. Furthermore, in this view of the case, each of the five leading crops of a country is given equal weight, and a gain in productivity for the fifth crop has the same importance as a gain for the leading crop. In Ecuador, for example, the value of the banana crop is eight times as great as the potato crop. The yield per hectare of bananas dropped by 17.6 percent while that of potatoes rose by 0.8 percent. To avoid these problems, the yield figures must be taken in such a way as to reflect the relative economic importance of each crop. This was done by weighting as described above. On this basis it appears that 12 of the 18 countries had gains in productivity from 0.8 percent in Paraguay to 24.3 percent in Mexico. Overall, seven countries had weighted productivity gains of 5 percent or more, two had losses of five percent or more, and the other nine had gains or losses within the range of five percent or, effectively, no provable gain or loss.

Agricultural productivity expressed in terms of output per agricultural worker, or preferably, per man-year of agriculture labor, is at this time an unmeasurable concept for most of Latin America, owing to the absence of data on agricultural employment. Such a data base is usually available when a census is taken, but unless there are sample surveys after the census, it is not possible to measure changes in productivity. Such figures are available for Venezuela, where the aggregate value of agricultural production per economically active person in agriculture rose from $574 in 1961 to $821 in 1967 in constant dollars, representing an increase in productivity per agricultural worker of about 43 percent. Thus, it appears that productivity per hectare increased by 9.8 percent in the 4 years between 1961–62 and 1965–66, while productivity per economically active person in agriculture increased by 43 percent in the 6 years from 1961 to 1967. On an annual basis, productivity per hectare was growing at a rate of about 2.2 percent and productivity per economically active person in agriculture at a rate of 6.1 percent. The added dimension provided by the availability of both types of productivity information greatly facilitates an appreciation of what has been the character of productivity change in agriculture and is a powerful argument for encouraging all Latin American nations to compile current series on the size of the agricultural labor force.

3. CONCLUSIONS

It is reasonably clear from the record of the past several years that continued increases in production are possible, and indeed likely to take place, throughout Latin America. It is equally clear that an increase in per capita agricultural production is not necessarily an indication of sufficient progress unless it is accompanied by increases in exportable surpluses, decreases in imports of products economical to produce domestically, and in general an enlarged supply of agricultural products available for domestic use. During the Alliance period seven countries provide reliable evidence of increased production per capita. Increases in productivity, expressed as weighted average yields of the five principal crops of each country, are found in eight countries.

Interesting and significant is the fact that if the countries are arrayed in groups according to the apparent rates of growth of production, per capita production, and of productivity, the three arrays have little in common. For example, the rate of growth of production in Argentina was 32.2 percent between 1960 and 1968, but the five-crop yield figures declined by 0.9 percent during 1961–62 to 1965–66. For the same periods, El Salvador had a 31.0 percent increase in production and a 2.4 percent decline in productivity so measured, and Peru had a 17.3 percent loss in production but a 7.3 percent growth in productivity (see tables A and B).

If relatively large increases in production are at times accomplished in association with declines in productivity per hectare, and smaller productivity gains sometimes go hand in hand with larger production increases, production volume is obviously influenced by factors other than productivity per hectare. Additions to the area under cultivation, changes in the proportion of land devoted to different agricultural uses, in the agricultural labor inputs, in the use of fertilizers, pesticides, and fungicides, in the proportion of land which is irrigated, and so on, each play a part in the process. More meaningful and systematic analysis of progress toward the agricultural goals of the Alliance requires more and better information on these complex factors than is now available, and warrants the use of agricultural censuses, sample surveys, and other devices to produce relevant statistical information. In the absence of more adequate knowledge, we can only conclude from the existing indicators that change is widespread, and probably the harbinger of the kind of progress envisaged through the Alliance goal.

In the face of these complexities, this goal is a valid and accurate general diagnosis of the agricultural situation in Latin America and serves the essential purpose of reminding all of the essential role of agricultural productivity in the development process. While the data for measuring progress need continued improvement, the policy measures needed in most countries to pursue agricultural development are clear.

TABLE A.—CHANGES IN AGRICULTURAL PRODUCTIVITY IN 18 LATIN AMERICAN COUNTRIES MEASURED BY YIELDS PER HECTARE OF THE 5 PRINCIPAL CROPS OF EACH COUNTRY, 1961–62 TO 1965–66

Country	Number of crops with— Increases in yield	Declines in yield	Changes in yield less than 5 percent	Weighted average percent change in yield of 5 crops
Argentina	4	1	2	−0.9
Bolivia	3	2	2	2.4
Brazil	3	2	1	−2.6
Chile	5	0	1	18.8
Colombia	1	4	1	−7.3
Costa Rica [1]	2	3	0	1.9
Dominican Republic [1]	2	3	3	−2.0
Ecuador [1 2]	2	3	2	13 5
El Salvador	4	1	1	−2.4
Guatemala	4	1	0	13.2
Honduras	4	1	3	5.7
Mexico	5	0	0	24.3
Nicaragua [1]	4	1	3	2.2
Panama	3	2	2	10.0
Paraguay	3	2	4	.8
Peru [1]	4	1	1	7.3
Uruguay	3	2	2	1.8
Venezuela [1]	4	1	2	9.8

[1] Coffee omitted because acreage not available, country's 6th leading crop substituted

[2] Cacao beans omitted because acreage not available; country's 7th leading crop substituted.

Source: Based upon data compiled by the U S. Department of Agriculture and by the Food and Agriculture Organization of the United Nations.

TABLE B.—PERCENTAGE CHANGES IN TOTAL AND PER CAPITA INDEXES OF AGRICULTURAL PRODUCTION FOR 18 LATIN AMERICAN COUNTRIES, 1960–68

Country	Total	Per capita
Argentina	+32.2	+16.1
Bolivia	+9.7	−9.1
Brazil	+21 7	−4 0
Chile	+13.3	−5.0
Colombia	+19 0	−8.1
Costa Rica	+27.7	−2.8
Dominican Republic	−11.5	−33.3
Ecuador	+22.6	−5.6
El Salvador	+31 0	+1.0
Guatemala	+49 1	+12.9
Honduras	+47.4	+13.2
Mexico	+43.9	+10.0
Nicaragua	+89.4	+44.9
Panama	+54.8	+19.3
Paraguay	+20.8	−5.2
Peru	+14.4	−17.8
Uruguay	−6 6	−15.5
Venezuela	+39.7	+5.6

Source: U S. Department of Agriculture.

TABLE C.—YIELDS OF SELECTED CROPS FOR 18 LATIN AMERICAN COUNTRIES, 1966

[Yields expressed in 100 kg. per hectare]

Country	Wheat	Barley	Corn	Rice	Sugar-cane	Potatoes	Cassava	Dried beans	Bananas	Cotton-seed	Cotton (lint)
Argentina	12.0	10.7	21.5	35.3	494	90	116	10.5	324	4.8	2.6
Bolivia	7.8	8.6	12.9	16.0	391	35	170	6.7	(1)	(1)	(1)
Brazil	8.6	8.4	13.1	14.5	463	67	139	6.5	185	3.0	1.6
Chile	14.9	17.8	32.4	22.9	(1)	92	(1)	11.0	(1)	(1)	(1)
Colombia	8.2	11.6	9.3	19.3	438	63	69	5.8	148	9.5	5.3
Costa Rica	(1)	(1)	10.0	14.5	368	94	20	3.0	296	(1)	(1)
Dominican Republic	(1)	(1)	14.6	19.3	560	25	30	10.6	160	4.7	2.3
Ecuador	10.0	5.9	6.7	18.3	830	89	100	5.5	159	4.4	2.5
El Salvador	(1)	(1)	12.8	25.6	657	67	80	5.9	(1)	13.1	7.9
Guatemala	8.8	(1)	10.5	15.8	627	48	30	5.7	67	11.9	7.4
Honduras	5.6	(1)	7.0	16.2	250	21	32	4.7	154	12.5	7.3
Mexico	23.5	9.8	11.3	19.6	651	83	(1)	4.5	138	12.1	7.9
Nicaragua	(1)	(1)	9.4	14.4	500	47	43	7.4	107	13.6	8.0
Panama	(1)	(1)	7.9	10.7	500	73	75	3.2	177	(1)	(1)
Paraguay	12.0	(1)	11.0	22.0	380	50	141	6.0	314	2.7	1.5
Peru	9.3	10.0	14.9	42.4	1,491	66	100	9.0	(1)	9.1	5.5
Uruguay	8.7	6.6	8.5	34.0	380	74	(1)	6.7	(1)	4.1	2.0
Venezuela	5.0	(1)	11.9	20.2	702	87	125	4.8	212	5.6	3.3

[1] No significant production in the country.

Source: Food and Agriculture Organization, 1967 production yearbook.

TABLE D.—CLASSIFICATION OF 18 LATIN AMERICAN COUNTRIES ACCORDING TO (A) PERCENT CHANGE IN AGRICULTURAL PRODUCTION, 1961–68; (B) PERCENT CHANGE IN AGRICULTURAL PRODUCTION PER CAPITA, 1961–68; AND (C) PERCENT CHANGE IN WEIGHTED AVERAGE YIELDS PER HECTARE OF THE 5 LEADING CROPS OF EACH COUNTRY, 1961/62–1965/66

Production			Production per capita			Productivity		
Growth (5 percent or more)	Little if any change (5 percent)	Declines (5 percent or more)	Growth (5 percent or more)	Little if any change (±5 percent)	Declines (5 percent or more)	Growth (5 percent or more)	Little if any change (±5 percent)	Declines (5 percent or more)
Argentina		Dominican Republic	Argentina	Brazil	Bolivia	Chile	Argentina	Colombia
Bolivia		Uruguay	Guatemala	Costa Rica	Chile	Ecuador	Bolivia	
Brazil			Hondruas	El Salvador	Colombia	Guatemala	Brazil	
Chile			Mexico		Dominican Republic	Honduras	Costa Rica	
Colombia			Nicaragua		Ecuador	Mexico	Dominican Republic	
Costa Rica			Panama		Paraguay	Panama	El Salvador	
Ecuador			Venezuela		Peru	Peru	Nicaragua	
El Salvador					Uruguay	Venezuela	Paraguay	
Guatemala							Uruguay	
Honduras								
Mexico								
Nicaragua								
Panama								
Paraguay								
Peru								
Venezuela								

Agrarian Reform

To encourage, in accordance with the characteristics of each country, programs of comprehensive agrarian reform leading to the effective transformation, where required, of unjust structures and systems of land tenure and use, with a view to replacing latifundia and dwarf holdings by an equitable system of land tenure so that, with the help of timely and adequate credit, technical assistance and facilities for the marketing and distribution of products, the land will become for the man who works it the basis of his economic stability, the foundation of his increasing welfare, and the guarantee of his freedom and dignity.

1. ANALYSIS OF THE GOAL

Agriculture is the mainstay of Latin American economies, and over half of the population of the area lives in rural areas. Because of this and because of the highly uneven distribution of land, the problem of agrarian reform is one which has a direct relevance to the lives of a large percentage of the population.

Much of the best land is in the hands of a very few owners, while the great majority of the farm population is situated on plots too small to provide an adequate living. Recent studies have shown that subfamily farms (large enough to provide employment for less than two people) made up 43 percent of all farms in Argentina, 23 percent in Brazil, 37 percent in Chile, 64 percent in Colombia, 90 percent in Ecuador, and 88 percent in Guatemala and Peru. It showed further that 60 percent of all farm laborers are landless in Brazil, 48 percent in Chile, 35 percent in Ecuador, and 25 percent in Guatemala.

When nonfarm employment opportunities are severely limited, control of land is also control of economic opportunity, and land ownership in Latin America is traditionally strongly related to social status and political power.

No goal of the Alliance for Progress, therefore, proposed more profound or difficult change than the one relating to land reform. The authors clearly were not proposing that land redistribution be pursued through violent revolution as in Bolivia and Mexico. That they were proposing peaceful and orderly change is reflected in their choice of words: "to encourage, * * * in accordance with the characteristics of each country, programs * * * leading to * * * effective transformation, where required." All the Latin American countries could be said to need improvements in land tenure, and use, and improved facilities to help the cultivator. The nature and seriousness of this need also varies widely from country to country, as does the political difficulty of agreeing on policies and programs, the technical and demographic limitations and possibilities, and the financial and administrative capacity to design and carry out programs. These complexities also make it impossible to establish uniform benchmarks as to what each country needed to do, how much progress it should have been expected to make over a given period of time, or to measure against clear standards the value of such work as they have carried out. Also, while agrarian reform has been and will continue to be equated with expropriation and redistribution, and while such measures are necessary and possible, expropriation can generally be expected to be confined to unproductive or inadequately used properties, except under very unusual circumstances.

Expropriation and redistribution cannot by themselves solve major land tenure problems or alleviate rural misery. It is important that collateral reform measures not be neglected, particularly with regard to (1) more effective land taxation, (2) more equitable tenancy arrangements, (3) improved conditions for agricultural labor, and (4) provision of secure land titles. In particular situations, the correction of these conditions may obviate the need for expropriation, or may yield more effective results of broader significance.

The success of agrarian reform in improving the welfare of its beneficiaries is closely related to increases in productivity which require the availability of technical advice, adequate credit, and improved marketing arrangements. Research, extension, credit, and marketing institutions are not agrarian reform measures, but they are important complementary activities.

2. EXPERIENCE TO DATE

Many of the countries (15) have enacted agrarian reform laws and established institutions to administer them. The laws covering agrarian reform generally provide for the expropriation of privately owned lands (with compensation), distribution of public lands, and the provision to settlers of complementary production facilities, such as credit, seeds, and technical assistance.

With the exception of Mexico, Bolivia, Chile, and Venezuela, Latin American countries have been slow in expropriating privately owned land for redistribution, and especially in the subdivision of large estates because of the basic political problems presented by such a program. Therefore, the countries have placed greater emphasis on the distribution of public lands through colonization programs, confirmation of title to squatters, and the provision of complementary production facilities to them and to other small farmers. Nevertheless, based on data received from the countries, almost a million Latin American families were settled or resettled during the period of 1960–67. About half a million land titles were distributed, as were almost 40 million hectares of land. About half of this land was in Mexico, but other large distribution programs are found in Bolivia, Venezuela, Colombia, and Chile.

Land tenure and distribution is not a very serious social problem in Paraguay, Costa Rica, or Uruguay. In these countries, the problems are those of underproductivity, with root causes in faulty market and distribution mechanisms and an administrative incapacity for effectively organizing needed, and complex investment and technical input programs which effectively reach the small farmers.

In these countries and in Brazil, Honduras, Guatemala, Nicaragua, Panama, and the Dominican Republic, relatively large amounts of land are available for new settlement, with the result that there is often less incentive to implement politically difficult land reform legislation and proposals. For example, in Guatemala less than 50 percent of the arable land of the country has ever been farmed and is available for settling. Likewise, with minimum inputs of capital—a simple plow, a machete, and labor—10 percent of the land presently unused in the western two-thirds of Brazil can economically be brought under cultivation, and with more substantial inputs—seed, fertilizers, etc.—about 50 percent can. The substantial recent increases in agricultural productivity in Brazil, in fact, largely reflect a process of bringing new land under cultivation.

Therefore, concentration has been placed in these countries on indirect measures encouraging better land use such as cadastral surveys, studies to explore the percentage of presently unused land which can be economically brought under production, land tenure tax changes to reduce the attractiveness of holding large areas of idle land, and opening credit facilities for new settlers in areas of spontaneous colonization.

In these countries and in others of the hemisphere, the number of extension agents almost tripled during these years, thereby reducing the average amount of arable land and land in permanent crops from about 37,000 hectares per agent to about 12,000. Agricultural credit increased considerably, and almost 11 million loans were granted since 1960, with about 2 million farmers in Latin America receiving loans in 1967. While this growth in credit represents substantial progress—particularly insofar as the numbers themselves do not readily suggest the considerable new institutional capacity which has been created—and which can now be built upon for fanning credit out into the sector, the remaining needs are still immense. An estimated 10 to 14 million families in Latin America remain to be settled or resettled. This figure is increasing faster than the current rate of resettlement. At an average cost of $1,000 per family, close to $15 billion in agricultural credit would be needed now for agrarian reform purposes—a sum approaching total annual gross investment for the entire region.

Programs of varying magnitudes are thus underway in most countries to improve cultivator security, improve resource use, and bring improved income and welfare to the recipients. Nevertheless, actual redistribution of underutilized large estates has been slow and, particularly in the Andean region, the number of landless families added to rural society each year far outstrips the number of families benefited. Consequently, small plots tend to be subdivided because of population pressures, inheritance, and the lack of alternative employment opportunities for rural people. Latin America is far from accomplishing comprehensive agrarian reform, and with some exceptions such as Mexico, Venezuela, and Chile, has not yet effectively tackled this major issue.

3. CONCLUSION

Particularly in light of this lack of progress the Alliance should clearly not abandon this objective. Without this formal commitment, the progress to date in political consensus on the principle of distribution, in passage of specific legislation, and in executing programs would almost surely have been slower, or not have materialized at all.

EDUCATION

To eliminate adult illiteracy and by 1970 to assure, as a minimum, access to 6 years of primary education for each school-age child in Latin America; to modernize and expand vocational, technical secondary and higher educational and training facilities, to strengthen the capacity for basic and applied research; and to provide the competent personnel required in rapidly growing societies.

1. ANALYSIS OF THE GOAL

Two of the education goals of the Alliance for Progress are very closely interlinked. One is to eliminate adult illiteracy, and the other to attain, as a minimum, access to 6 years of primary education for each school-age child. If in fact the second goal is realized, the first will also be attained, albeit somewhat later, through the process of population aging and the addition of annual quotas of 15-year-olds who have had more recent and better educational opportunities and are more literate than their elders. This is precisely what has happened in the United States where, for some years now, it has no longer been necessary to even try to count the number of illiterates.

Primary education needs can be measured from available data by comparing enrollment of school-age children with the total numbers of school-age children in the population. This apparently straightforward index, however, must be used cautiously since enrollment per se cannot be taken to mean that all children recorded as attending school actually attend classes, or that the quality of education was adequate. Because of poor attendance and the poor quality of teaching, many, particularly in rural areas, enroll for many years without learning to read and write. Also, only a very small percentage of those enrolled graduate from primary school (11 percent) and only 7 percent of the population 15 to 24 years of age has entered secondary school.

2. EXPERIENCE TO DATE

Illiteracy

Statistical data on illiteracy in Latin America, are in many cases inadequate, inaccurate, or not comparable from country to country. These statistics come from censuses and household sample surveys and represent responses to a question as to whether the person can read and write. To measure what progress has been made in reducing illiteracy requires at least two observations, one of which should be of recent date. The only Latin American country for which such a pair of observations is available is Venezuela, where the number of illiterates declined by 97,000, or 7 percent, in a 6½-year period ending August 1967. During the same period, the adult population aged 15 years and over increased by 11 percent. The joint effect of these two factors was a reduction in the adult illiteracy rate from 34.2 percent to 26 percent, or about one-fourth, in 6½ years.

For the other countries of Latin America, where an apt pair of observations is not available, it is still possible to perceive illiteracy trends indirectly by calculating the effects of removing from the adult population those who will die and adding back those who will each year reach the 15th birthday, associating with each group its attained literacy proportion at a not-too-far-in-the-past census. This requires but a single observation, and as all Latin American countries but Bolivia have had a census since 1960, it may be done readily. The process may be illustrated for Guatemala, which, according to the census of 1964 had an adult population 15 years old or older of 2,271,000, of whom 1,411,000 were illiterate. The adult illiteracy rate was 62.1 percent. If, by 1979, or 15 years after the 1964 census, there is no enlargement of primary school educational opportunities, the adult population will be augmented by successive annual waves of persons reaching their 15th birthday and the proportion of each wave which is illiterate will be about the same as the proportion of illiterate 13-year-old persons in 1964; namely, 51 percent. The removal from the population by death of persons 15 years old and older in 1964 will bring the total number of adult illiterates to 2,039,000, and the adult illiteracy rate should fall to about 55.8 percent. In other words, the adult population will increase by 1,384,000, or 61 percent, the number of illiterates will rise by 628,000, or 44 percent, but the rate of adult illiteracy will fall to about 55.8 percent, or by about one-tenth. As more years pass the rate of adult illiteracy will continue to drift downward toward the 51-percent level.

If, however, there is an expansion of primary education sufficient to give virtually all children 6 years of schooling before the 15th birthday, adult illiteracy will decline far more rapidly. Should this some about by 1970, as stated in the educational goals of the Alliance for Progress, the number of adult illiterates would be about 10 percent smaller in 1979 than in 1964 despite the great growth in total adult population, and the adult illiteracy rate would be about 37 percent or about three-fifths as great as in 1964. Moreover, adult illiteracy would be concentrated among people over 30 years old, with virtually none among younger adults. The attrition of death would thereafter move the illiteracy rate inexorably toward zero.

Primary education

The enrollment of school-age children in primary schools increased by about 50 percent during the years 1960 through 1967 from 24 million to 36 million. Despite their great limitations the data show a great expansion in school facilities. During the Alliance years, school enrollment increased an average of 6 percent annually, while the population of children of primary school age (5 to 14) increased by 3 percent annually. As a result the percentage of the children not enrolled in school declined from 52 to 43 percent over this period. However, because of rapid population growth, there remained over 27 million children not registered in primary school, or 740,000 *more* than in 1960. This increase in enrollment required a strong budgetary effort. (See section on "Government Expenditures" below.)

We may divide the Latin American republics into three groups according to their ability to reach the goal of enrollment in primary schools of their 5 to 14-year-old age group. In the first level, with two-thirds or more of the children enrolled, are the following countries:

Argentina	Peru
Chile	Uruguay
Costa Rica	

The second group, with half to two-thirds of the children enrolled in school, includes:

Bolivia	Mexico
Colombia	Panama
Dominican Republic	Paraguay
Ecuador	Venezuela
El Salvador	

The final group of countries is composed of those with fewer than half the number of schoolage children enrolled:

Brazil	Honduras
Guatemala	Nicaragua

This division into levels does not reveal the relative improvement made by the countries during the Alliance years. It is desirable, therefore, when looking at the data to keep in mind that the schoolage population which must enter school if this Alliance goal is to be met is constantly increasing. Our review shows that only six countries have decreased both the percentage and the absolute number of children not enrolled in school from the 1960 level. They are:

Argentina	Costa Rica
Bolivia	Peru
Chile	Uruguay

A second group has decreased the percentage of children not enrolled in school, but has not quite been able to reduce the absolute number not enrolled. They are:

Brazil	Mexico
Colombia	El Salvador
Ecuador	Nicaragua

A third group presents a poorer picture than in 1960, for despite the fact that primary school enrollment has increased, the schoolage population has grown to such an extent that the percentage of children not enrolled in school has increased. This group includes the following countries.

Dominican Republic	Panama
Guatemala	Paraguay
Honduras	Venezuela

It is expected that there will be about 69 million children of primary school age in 1970. This is almost twice the number enrolled in school in 1967. If the present trend of 6 percent increase in school enrollment annually were to continue, enrollment would not reach the level of 69 million children until 1979. By that time, of course, the school-age population would be well above that level, or about 92 million, so there would still be 23 million children not enrolled in school. Not until 1986 would the entire school-age population be enrolled, if present rates of population growth and school expansion continue.

While school enrollment obviously needs to be augmented at a faster pace to meet the target in a shorter span of years, it is clear that there is no chance of getting all the children into schools by 1970. To provide schooling for 69 million children at the present rate of 31 children per teacher, would require 3.2 million primary teachers. Since Latin America now has 1.2 million teachers, it would have to train or recruit 2 million more, compared with 136,000 now graduating annually, only about two-thirds of that number actually joining the teaching force. Similarly, almost three times as many classrooms would be needed.

The manifest impossibility of meeting this goal within the targeted time illustrates well why President Johnson recognized the need to extend the Alliance period beyond 1970 in his message to the Inter-

American Conference at Rio in November 1965. Although the goal of primary education for all Latin Americans cannot be reached by 1970, if the rate of improvement can be increased, the objective may come within grasp during the decade of the seventies. If the current rate of increases in school enrollment were to be stepped up from 6 to 9 percent per year, the entire expected schoolage population of 85 million would be enrolled in school in 1977.

Secondary and higher education

The goal of the Alliance relating to secondary and higher education is that it be modernized and expanded, along with vocational and technical education and training facilities. Examination of experience in the past 7 years points unequivocally to significant progress.

Clearly, secondary, vocational secondary, and higher education facilities have expanded under the Alliance. In 1960 there were 2.7 million students enrolled in secondary and higher schools, constituting 7 percent of the population between 15 and 24 years of age. By 1967 this had more than doubled, reaching a level of 5.8 million students, or 13 percent of the population. Enrollment has increased in all 18 Latin American Republics, and the percent of the population enrolled has doubled or more in Nicaragua, Peru, El Salvador, Bolivia, Colombia, and Guatemala.

Considerable improvement, though less than in the first group, is indicated by the rise in the percent of the population attending in the following countries: Brazil, Costa Rica, Dominican Republic, Ecuador, and Mexico. The remaining countries showed slight improvement.

During the same years, the number of teachers employed in secondary and higher education also more than doubled, rising from 213,000 to 438,000. This number is still low relative to the population, though it has risen from six to 10 teachers per 1,000. The number of secondary and higher teachers more than doubled in Chile, Colombia, Dominican Republic, Mexico, Nicaragua, and Peru. Slightly smaller increases occurred in Brazil, Ecuador, El Salvador, Guatemala, and Uruguay. The remaining seven countries, most of which already had high teacher-student ratios, show increases in teachers of at least one-third. (See table B.)

The average of only 10 secondary and higher school teachers for each thousand of the population between 15 and 24 years of age covers situations that vary greatly among the Latin American countries. Those countries in which this average is met or exceeded are: Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The rate per thousand is between five and 10 in Argentina, Brazil, Chile, Costa Rica, Nicaragua, and Panama. In the other countries it is five or less.

Vocational secondary education

In conformance with the goal of expanding vocational education, it is possible to review reports of student enrollment and teachers employed in vocational secondary schools of Latin America. These reports show that the number of students in such schools has just about doubled, and the number of teachers has increased nearly as much.

The greatest relative increases in enrollment during the Alliance years took place in Brazil, Colombia, Ecuador, Guatemala, Peru, and

Venezuela. Other large increases occurred in Argentina, Bolivia, Costa Rica, Dominican Republic, Panama, and Uruguay. A poorer situation is found in a third group of countries, Chile, El Salvador, Honduras, Nicaragua, and Paraguay, where there were small increases or even decreases in the number of teachers. No enrollment data are available for Mexico.

Several of the countries have increased the number of vocational teachers twofold or even more during the Alliance years. They are: Bolivia, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Uruguay, and Venezuela. Increases of between 50 and 80 percent are found in Argentina, Brazil, and Peru. Relatively small increases and even decreases in the number of teachers took place in the third group of countries, Chile, Costa Rica, Dominican Republic, Nicaragua, Panama, and Paraguay. Insufficient data are available from Honduras.

Government expenditures

In real terms, the 18 Latin American republics increased their expenditures on education by nearly 62 percent between 1961 and 1967. Increases occurred in every country, ranging from 20 percent to over 200 percent. Education rose from 9.3 percent of total central government expenditures for the region in 1961 to 13.3 percent in 1967, reflecting similar increases in 12 countries. During 1967, 13 countries devoted more than 15 percent of their central government expenditures to education; only five countries reported that education represented a smaller percentage of their total expenditures than it had in 1961. These expenditure data omit those by State and local governments, which, in some countries, including Brazil, provide much of the financing.

3. CONCLUSIONS

Regarding illiteracy, while the calculations would involve different numbers for different countries they cannot but lead to the same conclusion, namely that adult illiteracy can be wiped out over varying periods of time by providing a primary school education for all school-age children, and that the process can be accelerated by giving a high priority to the primary education goal.

Latin America clearly cannot attain the primary education target by 1970. As extended at Punta del Este in 1967, it remains an essential development objective. The marked improvements in several countries show that reasonably rapid progress can be made. Our view is that universal primary education should remain a major Alliance goal each country should seek to reach as rapidly as feasible, and consistent with effective quality and collateral needs in secondary and higher education. We are seeking to induce the countries to face up to the problems of educational expansion and progress and to formulate comprehensive programs of reform and development, using the device of sector loans for education as a means of inducement and assistance. The costs are high. Devising and carrying out suitable education programs for millions of impoverished slumdwellers and in remote and scattered rural communities will require monumental efforts. Nevertheless accomplishments to date make evident the feasibility of substantial progress.

TABLE A.—PRIMARY SCHOOL EDUCATION, 1960 AND 1967

[Children in thousands]

Country	Enrolled			5 to 14 years of age not enrolled			Percent not enrolled	
	1960	1967	Difference	1960	1967	Difference	1960	1967
Total	24,239	35,819	+11,580	26,517	27,257	+740	52.2	43.2
Argentina	2,948	[1] 3,600	+652	1,444	960	−184	28.0	21 1
Bolivia	349	603	+254	534	434	−100	60.5	41.9
Brazil	7,477	11,013	+3,536	11,258	11,857	+599	60.1	51.8
Chile	1,186	1,837	+651	677	459	−218	36.3	20.0
Colombia	1,690	2,775	+1,085	2,775	2,790	+15	62.2	50 1
Costa Rica	203	315	+112	161	147	−14	44.2	31.8
Dominican Republic	505	585	+80	376	539	+163	42 7	48 0
Ecuador	596	904	+308	614	616	+2	50 7	40 5
El Salvador	321	473	+152	356	378	+22	52.6	44.4
Guatemala	278	475	+197	833	920	+87	75.0	65.9
Honduras	205	371	+166	350	936	+46	63 1	51.6
Mexico	4,885	7,772	+2,887	4,822	4,918	+96	49.7	38.8
Nicaragua	145	242	+97	288	305	+17	66.5	55 8
Panama	162	220	+58	116	128	+12	41.7	36.8
Paraguay	306	385	+79	177	229	+52	36.6	37.3
Peru	1,440	2,300	+860	1,216	1,091	−125	45.8	32.2
Uruguay	320	381	+61	137	120	−17	30 0	24.0
Venezuela	1,223	1,568	+345	683	970	+287	35.8	38 2

[1] Estimated AID/W.

TABLE B.—GENERAL SECONDARY TEACHERS EMPLOYED, 1960–67 (ALL SCHOOLS)

Latin American Republics	1960	1967	Percentage 1960–67
Total	193,107	391,252	103
Argentina	22,753	29,093	29
Bolivia	2,662	4,128	55
Brazil	58,296	[1] 114,997	97
Chile	6,000	12,400	107
Colombia	12,765	26,280	106
Costa Rica	1,805	2,627	46
Dominican Republic	1,265	2,734	116
Ecuador	4,074	[1] 7,418	82
El Salvador	1,296	2,400	85
Guatemala	1,857	3,507	89
Honduras	1,570	2,190	39
Mexico	51,830	138,069	166
Nicaragua	467	1,326	184
Panama	1,337	2,147	61
Paraguay	3,177	4,970	56
Peru	11,300	24,098	113
Uruguay	3,500	6,788	94
Venezuela	7,218	11,938	65

[1] Estimate

Health

To increase life expectancy at birth by a minimum of 5 years, and to increase the ability to learn and produce, by improving individual and public health. To attain this goal it will be necessary, among other measures, to provide adequate potable water supply and sewage disposal to not less than 70 percent of the urban and 50 percent of the rural population; to reduce the present mortality rate of children less than 5 years of age by at least one-half; to control the more serious communicable diseases, according to their importance as a cause of sickness, disability, and death; to eradicate those illnesses, especially malaria, for which effective techniques are known; to improve nutrition; to train medical and health personnel to meet at least minimum requirements; to improve basic health services at national and local levels; and to intensify scientific research and apply its results more fully and effectively to the prevention and cure of illness.

1. ANALYSIS OF THE GOAL

The charter's health goal has two aspects; the first appears to be clearly measurable, to increase life expectancy at birth by a minimum of 5 years; the second is expressed in very general terms, to increase the ability to learn and produce by improving individual and public health.

The data necessary for the measurement of life expectancy at birth are far from satisfactory. Life expectancy is calculated from age distributions of the number of deaths in the population. Death registration however, is incomplete in many countries, and even in countries which have relatively good registration, there are large, particularly rural, areas for which registration is poor. In addition, data are often deficient for infants, many of whom are born and die without any legal registration being made of their existence. Under-registration of deaths results in the calculation of low death rates, which produce an exaggerated life expectancy. Without special and costly surveys, it is not possible to gauge the extent of under-registration. However, for our purpose of comparing death rates over a period of years from 1960, observation of statistical practices indicates that registration in Latin America has improved. Therefore, increases observed in life expectancy may safely be assumed to be conservatively stated, rather than exaggerated.

The second goal, which speaks of improving individual and public health, further lists several measures which can help to produce such improvement. Progress toward attaining these subgoals is measurable, although accurate appropriate statistics may not always be obtainable. These data relate to the availability of adequate potable water and sewage disposal, reduced mortality rate of children under 5, control of communicable diseases, eradication of diseases such as malaria, improvement of nutrition, training medical and health personnel, improved health services, and intensified scientific research.

2. EXPERIENCE TO DATE

Increased life expectancy

Although detailed and up-to-date information on changes in the expectation of life in Latin America since 1960 is scarce, the Pan American Health Organization has been able to estimate that the average future lifespan increased from 60.2 to 62.5 years between 1960 and 1966. This represents a gain of 2.3 years in the expectation of life. Had there been a uniform annual increase in expectation of life sufficient to add 5 years to the average lifespan during the decade beginning in 1960, the increase by 1966 would have amounted to 3 years. Thus, the PAHO estimates indicate that during 1960 and 1966, the average life span increase was about three-quarters of the increase which would have occurred had the progress contemplated by the Alliance goal been attained.

Specific data are available for a very few countries. In Mexico and Chile the estimated improvement in life expectation was 3.2 and 3.0 years, respectively, and if improvement continues at the same pace, these countries will each have a 5-year increase in average lifespan during the decade. The improvement in El Salvador is reported by PAHO at 2.1 years between 1960 and 1966, so that at the same rate through the decade, the extension of the average lifespan there will reach only about 3.5 years.

The increase reported by PAHO for Venezuela was only 0.2 years during the first 6 years of the decade. However, the goal of the Alliance to increase life expectancy by 5 years between 1961 and 1971 is not so urgent for countries which start from higher levels of life expectancy than for those with lower levels to begin with. Thus, an improvement of a fraction of a year in life expectancy for Venezuela, which by 1960 had already attained a level of over 62 years, would be perhaps as satisfactory an accomplishment as a gain of 3 years in Chile where life expectation was only 56 years in 1960.

Progress in increasing life expectancy depends largely on the success of another general goal of the charter, to reduce childhood mortality by 50 percent. For Latin America as a whole, PAHO estimates that 1.0 of the 2.3 years gained, or 43 percent, resulted from the reduction in child mortality. Deaths of children under 5 account for 44 percent of all deaths in Latin America. The goal is to reduce these deaths by one-half in the decade ending in 1971; this implies reducing them by one-fourth by 1966. Infant mortality decreased by only 12 percent, or less than half this goal during the first 5 years. Deaths of children in the 1- to 4-year age group, however, have decreased rapidly, approaching the goal of the charter. Over 90 percent of the decrease required for half the decade was achieved in South America, and two-thirds of the desired decrease was attained in Middle America.

Potable water supply.

A leading cause of the death of children in Latin America is gastroenteritis. These deaths are preventable and to a large extent can be controlled by a sufficient supply of potable water and cleanliness.

Remarkable success has been made toward achieving the goal of supplying potable water for 70 percent of the urban population by 1971. Only 60 percent of the group had water service in 1960; this had increased to 69 percent by 1967. Attainment of the goal of 70 percent can be expected before 1971.

The goal for the rural population provides for potable water for at least 50 percent of the population by 1971; an intermediate goal would be 25 percent by 1966. However, only 19 million rural people have potable water out of an estimated 1971 rural population of 128 million. An additional 45 million must be provided to reach the 1971 goal. Present plans, limited primarily by cost factors, do not include provision for programs likely to achieve coverage of more than 10 million in that time.

Sewerage.

There has been less progress toward reaching the goals for sewerage than for water supplies. In 1967 only 48 million persons, or 36 percent of the population, were provided sewerage services, leaving some 62 million to be provided for.

Communicable diseases

There has been moderate success in pursuing the goals of controlling the more serious communicable diseases and eradicating those for which effective techniques are known. During the decade ending 1966, death rates from these causes declined by 48 percent in Middle America and 22 percent in South America. However, the 1966 death rates were 91.2 and 74.7 per 100,000 population in the two regions, about ten times greater than the rate in Northern America.

Morbidity and mortality from the major epidemic diseases have been diminished, but they remain a threat, affecting both the health of the people and their economic development. Eradication programs for malaria, smallpox and yellow fever have been intensified with good results. but greater investment is needed to accomplish their eradication.

Nutrition

The importance of improving nutrition in Latin America is underscored by a recent study of child mortality indicating that nutritional deficiency as an underlying cause or an associated cause of death is responsible for a high proportion of the deaths of young children. Total food production in Latin America although it has risen by 37 percent over the 1957–59 level, has just about kept pace with population growth during those years. According to calorie requirements estimates by FAO, only 5 of the 15 countries for which data are available have food calorie supplies above their average daily requirements. The situation is further complicated by uneven distribution of food and purchasing power within the countries.

Efforts have been made to increase the supply of protein, particularly for young children, by developing protein-rich food in the laboratory. Some success has been achieved by the production of such products as Incaparina in Guatemala and Colombia. Over 5 million pounds were produced in 1967. Other products make use of fish flour and soya. Local health services in every country of Latin America are undertaking activities to improve nutrition.

Health personnel

There are marked differences in the availability of trained health personnel from one country to the next, with striking deficiencies in the rural areas in nearly every country for which data are available.

Despite the growth of health programs large numbers of physicians, technicians, nurses, and dentists are still needed in every country of Latin America.

In 1966 there were about 148,000 physicians in Latin America, or 6.0 for each 10,000 persons; in North America the ratio was 15.2 per 10,000. There was considerable variety among the countries of Latin America, from 16.4 per 10,000 in Argentina to 0.7 per 10,000 in Haiti. Only four countries had more than the average of 6.0; Argentina, Cuba, Uruguay and Venezuela.

Between 1960 and 1966, the number of physicians in Latin America increased by 30 percent compared with a population growth of about 19 percent. As a result, the number of physicians per 10,000 people rose from 5.4 in 1960 to 6.0 in 1966. Incomplete data for 1968 show this trend was continuing. Between 1960 and 1968, the number of physicians in Colombia rose 43 percent, El Salvador 57 percent, Venezuela 59 percent, and Honduras 276 percent.

Growth in the number of physicians has been felt largely in the capital city or larger urban areas. Poor living conditions, lack of hospitals and low incomes have discouraged physicians from remaining in rural areas. There are now 137 medical schools in Latin America, of which some 41 were founded after 1960. Over 9,000 physicians are graduating each year, compared with 6,800 in the early 1960's.

Differing definitions make comparisons of health services between countries difficult, but within individual countries there is encouraging evidence of increases in services provided. While progress has been made however, much remains to be done in response to the 50 percent of the population living in rural areas where such facilities are not accessible.

3. CONCLUSIONS

There has been progress toward improved health in Latin America, although the ambitious objectives of Punta del Este are still beyond our grasp. Available data suggest strongly that life expectancy at birth has increased. Mortality of infants and children under the age of 5 has shown a marked reduction. Fewer deaths and less illness result from the prevalent communicable diseases. There has been a considerable increase in the provision of potable water, especially in urban areas, and some increase in sewerage systems, but improvement in rural areas has been negligible. Nutrition programs are being carried on in every country by local health groups. The number of physicians in Latin America has greatly increased, though their distribution within countries is still not satisfactory. More hospitals and health centers are available. The Latin American countries have accepted as national policy the national health goals of the Alliance for Progress. Further time, effort, and expenditure will be needed to reach these objectives.

TABLE A—ACHIEVEMENTS IN REDUCING INFANT DEATH RATES IN RELATION TO GOALS OF THE CHARTER OF PUNTA DEL ESTE

Country	Death rate per 1,000 live births			Percent of decrease achieved
	Average, 1960-62	1966	Goal, 1966	
Argentina	61 0	59.3	45.8	11
Bolivia	103.0	108.2	77.2	----------
Brazil	(1)	(1)	(1)	(1)
Chile	117.8	101.9	88 4	54
Colombia	92.8	81.2	69.6	50
Costa Rica	66 1	65 0	49 6	7
Dominican Republic	94.1	81.1	70 6	55
Ecuador	99.4	90 4	74.6	36
El Salvador	72 5	62.1	54.4	57
Guatemala	89 3	91.4	67 0	----------
Honduras	48 4	36.7	36 3	97
Mexico	71.4	62.9	53 6	48
Nicaragua	63.1	47.9	47.3	96
Panama	51.1	45 0	38 3	48
Paraguay	89.7	[2] 69.6	67.3	90
Peru	92 9	[2] 63.0	69.7	129
Uruguay	44.6	42.7	33 5	17
Venezuela	52.1	46 7	39.1	42

[1] Not available

[2] Provisional.

Source: "Facts on Health Progress," Pan American Health Organization, WHO, September 1968.

Low-Cost Housing

To increase the construction of low-cost houses for low-income families in order to replace inadequate and deficient housing and to reduce housing shortages; and to provide necessary public services to both urban and rural centers of population.

1. ANALYSIS OF THE GOAL

The goal of adequate housing for all is obviously desirable, but realistically one which cannot be soon realized. The total need for housing in Latin America has been estimated as being between 15 and 20 million units. This deficit is increasing by at least one million units a year. Squatter settlements continue to mushroom. Given higher priority needs for the use of scarce internal and external resources, the countries of Latin America will not be able to meet the housing need in the foreseeable future. Economic development priorities will not in any country result in substantially larger resource allocations for housing.

The greatest need for housing is for low-income families. Unfortunately, persons in this income category can make little or no contribution to the cost of their housing, and generally require some form of public subsidy. This raises the hard economic question of the feasibility and desirability of allocating large amounts of capital to low rent housing.

2. EXPERIENCE TO DATE

Since the inception of the Alliance, every Latin American country has created or strengthened a national housing agency charged with responsibility for providing low-cost housing. All have received financial assistance from IDB or AID, or both. Prior to the Alliance, those agencies already in existence produced a limited amount of housing, and this was confined almost exclusively to middle rather than, lower income housing. Loans made to these agencies for low-cost housing under the Alliance required matching budgetary contributions and focused some attention on low income housing needs. However, the experience with low-income housing has not been satisfactory. There remains resistance by national institutions to minimum standards and aided self-help, and a tendency to favor middle-income housing, where demand is both strong, and unlike low-income housing, effective in terms of financial capacity.

As a matter of policy, both AID and IDB have made loans for sale of housing only, and have required that the loans be made on a self-liquidating basis. This requirement has limited the reach of externally financed efforts, since cost factors tend to make the imposition of economically required payments schedules unrealistic.

What has been accomplished to date by such external assistance has been the creation of intermediate credit institutions, such as savings and loan banks, whose experience may one day point to ways to accumulate savings to finance middle-income housing. Such financing is clearly needed, but it is not the answer to the growing slums and to the crowding of poor people into shacktowns in the cities and huts in the countryside.

Recognizing this, Brazil and Peru, whose urban slums are among the worst in the hemisphere, have begun programs for upgrading the housing in the favelas and barrios. These programs assume that tearing down large areas is too disruptive for the people and too expensive for the society and that some other means must be found to create acceptable living conditions for the slumdweller. But slum rehabilitation is a slow process, and far-reaching progress will no doubt turn largely upon improved economic opportunity, more than upon subsidized physical construction, community organization and planning efforts.

3. CONCLUSION

Latin America's housing problems will be solved only when most families are in a position to demand decent housing because they can afford it. But that condition presupposes enormous economic development strides forward. At the same time, intensive efforts to reduce costs through the development of new construction techniques and material, community self-help techniques, and the elaboration of new financing aproaches and methods should be intensified. Breakthrough in all or any of these areas can meaningfully advance the time frame within which the hemispheric housing need can be met.

STABILIZATION

To maintain stable price levels, avoiding inflation or deflation and the consequent social hardships and maldistribution of resources, always bearing in mind the necessity of maintaining an adequate rate of economic growth.

In addition, national development programs are to include:

The basic fiscal and monetary policies to be followed in order to permit implementation of the program within a framework of price stability.

1. ANALYSIS OF THE GOAL

Inflation has been a prominent feature of the Latin American economic landscape.

Among economists concerned with Latin America's development, far from any clear cut consensus, there are strongly contending schools of thought. The position taken in the Charter of Punta del Este reflects the notion that extreme price instability results not only in an unfair allocation of burdens, but inevitably retards progress through inadequate stimulus and mechanisms for savings, inefficient allocating incentives for investment, and the almost inevitable concomitant of unsettling political side effects. There is similar diversity of opinion about the causes of inflation—in somewhat capsule form:

(1) The "structuralist" view, that inflation is caused by inelastic supply conditions, especially in agriculture. Attempts to expand the economy run up the prices of various kinds of commodities and services instead of calling forth additional output. The money supply then has to be increased proportionately to prevent unemployment and recession. This view is sometimes accompanied by a rather fatalistic view of politics—that public policy can't or at least doesn't respond with measures adequate to solve the underlying "structural" problems.

(2) The "monetarist" view that inflation is caused by printing too much money. In its most simplified form, this view may be accompanied by the attitude that any inflation is bad and should be stopped at virtually any cost. In response to the structuralists, a member of this school might argue that most of the "structural" obstacles to growth with price stability are the results of past, present, or expected future inflation, even though these obstacles themselves may in turn magnify inflationary forces further.

(3) The "eclectic-pragmatic" view that inflation comes (*a*) partly from external demand pulls; (*b*) partly from the cost-push factors that operate everywhere (labor unions, rising land values, rising pay for services not counteracted by productivity improvements) (*c*) but, in Latin America, mostly from budget deficits financed by excessive money and credit creation. The budget deficits themselves result from different circumstances in different countries, but almost all follow the pattern of political demand and legislative appropriation of funds for public services at a level which cannot be financed by non-inflationary revenues because of (i) lack of political consensus on who would pay the taxes; (ii) which in turn results in toleration of country revenue administrations' inability to collect even the taxes levied; (iii) which results in inflationary financing that is accepted as the lesser evil, or perhaps the inevitable result of the political process, depending on the vantage point of participant or observer.

The political push for expanded public expenditures both for direct welfare programs and capital investment tends to make the fiscal problem worse. As the data show, many countries feel the political pressure to lift development expenditure whether or not the "rising expectations" are generated by public awareness of Alliance goals, or underprivileged groups seeking a greater share of the national income. The availability of external financing on concessional terms for development projects may make it still harder to resist the pressure to spend before revenue is in sight. This promotes a race between the need to spend more to do what the Alliance calls for, and the ability to mobilize additional internal resources without inflation.

AID and multilateral agencies furnishing assistance to the hemisphere, such as the IMF and IBRD, have subscribed to various views at different times for different countries, recognizing essentially that the origin and significance of, and prescriptions for containing, inflation, vary widely according to differing country's circumstances at various points in time. The validity of the goal—containing inflation while maintaining respectable growth—is not in doubt. There inevitably is often great uncertainty about the level of inflation which can be tolerated, and the appropriate policy prescription to be applied at any time.

The economics of disinflation is not very well elaborated, either as science or the art of public policymaking. Some of the more successful stabilizations in Europe included at least temporary recession and sometimes substantial unemployment for extended periods of time. Other cases, such as Greece and Austria, suggest that all-at-once adjustments can effectively stop the inflation cycle. The recent Latin American approach of trying to cut the rate of price increase from, for example, 40 percent a year to 10 percent over 3 years without causing unemployment represents a compromise method seeking a practical solution.

Even if the executive authorities in the Latin American countries have full power to choose apt policies, their tools are not always up to the task. Central control mechanisms for money and credit tend to be weak. However, the foremost problem is the weakness of tax systems and collection machinery. Under these circumstances, when a government starts a stabilization program, it may find it cannot raise enough revenue or cut its expenditures enough to balance its budget. It therefore often seeks to reduce the flow of credit to the private sector. The credit reduction may succeed in depressing activity but not in halting the buildup of excess liquidity enough to prevent a continued rise of the price level.

2. EXPERIENCE TO DATE

Nine countries in Latin America—Venezuela, Nicaragua, Panama, Paraguay, Mexico, Honduras, Guatemala, El Salvador, and Costa Rica—have experienced relative price stability over the Alliance years, with less than 18-percent inflation, or less than 3 percent per year. (See table, p. 47.)

A second group including Bolivia, the Dominican Republic, and Ecuador experienced mild inflationary pressures over the period, up to 36 percent increase in prices, less than 6 percent a year.

A third group—Uruguay, Peru, Colombia, Chile, Brazil, and Argentina were plagued by strong inflationary pressures which, in our view, weakened growth performance and ability to focus on long-range development problems in each of these countries. Inflationary increases in these countries ranged from 95 percent in Peru to 1,300 percent in Brazil over the period.

Because of the relative ease with which governments can increase expenditures and the corresponding difficulty of raising more revenue, one could have reasonably expected that an upswing in public expenditure in the Alliance period would have produced more inflation than actually has occurred. Yet, as a result of often very adroit programs, which in many countries have been influenced by the requirements of AID and other international lenders, the inflationary results have not been evident or have been dampened.

Most Latin American countries have managed to keep a reasonable degree of price stability. The major unsolved problems lie mostly in Brazil, Chile, and Colombia, where price stabilization efforts have been made, but where stabilization is yet precarious. Even of this group of countries with hard-core problems, those which have received substantial support through AID in the form of program loans, have made basic progress in closing their budget deficits. Brazil ran a deficit equal to over 40 percent of its total budget through 1964, but by 1967 this figure had been reduced to 12 percent. Colombia and Chile, in somewhat less critical situations than Brazil (their revenues nearly always more than equalled current expenditures) both experienced declining deficits during the Alliance period. Colombia's deficit averaged over 30 percent of its total budget in the early Alliance years (1961–63) but dropped to around 15 percent on the average from 1964 on. Chile's deficit began to drop significantly after 1965, to less than 5 percent of total expenditures by 1967.

3. CONCLUSION

For the governments of the less stable countries, stabilization programs pose disconcerting dilemmas. The experience of Argentina and Brazil shows that stabilization through monetary austerity measures can produce painful business recessions, loss in real income to large segments of the population, particularly labor, and risky political consequences, without widely felt benefit to the economy or political stability through stimulation of growth and development. On the other hand, without stabilization, inflation can clearly frustrate prospects for growth. Keeping the goal in clear focus, the question for the coming few years is whether these countries can thread their way successfully through the dilemmas by keeping inflation within tolerable bounds.

Several points give ground for optimism that countries will successfully control inflation. First, governments of the still inflationary countries show signs of genuine belief that inflation interferes with progress, and of determination to find some way to solve their problems. Secondly, partly under the stimulus of program loans and partly under their own initiative, Brazil, Chile, and Colombia have started basic tax reform programs that will give them the means to close their deficits. Brazil and Chile have also made good progress at rationalizing public control of their banking systems.

The United States, and other credit supplying countries and international agencies should continue to encourage and aid these countries to work at stabilization, but must be aware that their interest in promoting higher development expenditures may conflict at least in the short run with their interest in combating inflation. In some cases a standstill or temporary cut in public capital expenditures combined with a more effective overall stabilization program may pay off better results in the long run.

In conclusion, inflation is a major problem only for a few countries, and most of these it has troubled for a long time. Nothing in the experience of the Alliance period suggests that the aim of stabilization is undesirable nor can we conclude that it is unattainable.

TABLE A.—COST OF LIVING

[Percent increase over previous year]

Latin American Republics	1962	1963	1964	1965	1966	1967	1961–67
Argentina	25.4	26.6	22	28.7	31.8	29.5	325 4
Bolivia	6.3	—1.0	10	2 7	7.1	7.4	36.8
Brazil	52.6	72 4	87	61.5	46 7	29 8	1,413 2
Chile	13.1	44.9	46	28.8	22.9	18.2	347.5
Colombia	2 7	31 6	18	3.4	19.7	8 2	113.5
Costa Rica	3.2	3.1	3	0	0	1.0	10.6
Dominican Republic	8 2	8 7	2	—2.0	8.0	0	27.1
Ecuador	2 2	6.4	4	2.9	5.6	3.5	27.2
El Salvador	1.0	1.0	2	0	—1.0	1.0	4.1
Guatemala	2.0	0	0	—1.0	1.0	0	2.0
Honduras	1.0	3 1	5	2 9	1.9	2 7	17.7
Mexico	1.0	1 0	2	3.0	3.8	3 6	16.3
Nicaragua	0	1 0	5	2.9	3.7	0	13 1
Panama	1.0	0	2	1.0	0	1.0	5 1
Paraguay	1 0	2 0	2	3.9	2 8	.9	13.4
Peru	6.8	6.4	10	17.3	9 3	9.9	76.1
Uruguay	10 7	20.5	43	56.6	73.7	89.2	881.3
Venezuela	0	0	1	2 0	0	—1.0	2.0

Source: IMF "International Financial Statistics."

Integration

To strengthen existing agreements on economic integration, with a view to the ultimate fulfillment of aspirations for a Latin American common market that will expand and diversify trade among the Latin American countries and thus contribute to the economic growth of the region.

1. ANALYSIS OF THE GOAL

Progress toward the Punta del Este goal for economic integration is difficult to quantify meaningfully. The approval of resolutions, modification of existing arrangements, or even conclusions of new agreements are not always synonymous with effective progress. Trade developments are subject to the influence of factors other than those provided for in integration agreements, and growth trends too are caused by factors that are not directly related to the integration process. Nonetheless, trends in regional trade diversification and economic growth (note sections detailing these) indicate some positive relationship to the Alliance goal of integration.

2. EXPERIENCE TO DATE

At the time the Punta del Este Charter was signed, two basic integration agreements—the General Treaty of Economic Integration of Central America, and the Treaty of Montevideo providing for the Latin American Free Trade Association—had been concluded. Since the origin of the Alliance for Progress, efforts to achieve economic integration in Latin America have proceeded under these agreements, as well as under several new arrangements.

(*a*) *The Latin American Free Trade Association* (*LAFTA*), designed to lead to the establishment of a free-trade area within 12 years, took form in 1961 with the ratification of the Treaty of Montevideo by seven countries. Today 11 Latin American republics, accounting for about 90 percent of production and trade within the area, are members of the association. Reflecting in part tariff concessions negotiated during the annual conferences, intrazonal trade, which was $360 million in 1961, rose to an estimated $760 million in 1967. When compared with overall trade developments during the same period, the share of intrazonal trade in total LAFTA member country trade increased from 6 percent in 1961 to almost 11 percent in 1967. In addition, five complementation agreements (agreements designed to further industrial integration and diversification by providing for the coordination of investment and for immediate free trade for a specific product or products) have been concluded.

(*b*) *The Central American Common Market* (*CACM*), composed of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, is now near its goal of achieving common market status through the virtual elimination of barriers to trade for goods of Central American origin and the substantial establishment of a common external tariff. Nearly free trade has helped stimulate the rapid expansion by over 500 percent of intrazonal trade, which grew from $36 million in 1961 to $213 million in 1967. When expressed as a share of total imports by CACM members, intrazonal trade has grown from 7 percent in 1961 to 21 percent in 1967. A common external tariff has now been established for 87 percent of the tariff classifications. Trade under 93 percent of these classifications is free within the region. Perhaps even more important than these trade developments has been the establishment of regional institutions under CACM. Such institutions include the Economic Council, comprised of the ministers of economy of the member states, which acts as the primary policymaking body of the common market, and the Executive Council (composed of the vice ministers of economy) which meets at more frequent intervals to oversee developments in the region. Other regional institutions include the Central American Bank for Economic Integration and the Central American Institute for Industrial Research and Technology (a consulting body for private industry in the area). Although the latter two institutions are independent of the General Treaty organizations, in practice they maintain very close ties. Through the establishment of the general treaty organs and the affiliated organizations, the CACM members are developing the institutional bases for an enduring regional structure.

(c) *The Andean Subregional Group*, a recent outgrowth of LAFTA, seeks to unite Colombia, Chile, Venezuela, Bolivia, Ecuador, and Peru in a subregional common market with free trade to be achieved 5 years before the 1985 Latin American Common Market (LACM) target. If properly constructed, this community, designed to put its members in a more competitive position with the bigger countries in the area, could be a positive step toward creation of the common market. To date, all countries have signed (though not ratified) the statutes of an Andean Development Corporation to promote the identification and execution of multinational projects, and four members have signed a subregional complementation agreement for petrochemicals. However, the six countries have not yet agreed on the basic statute for the subregional community.

(d) *The Caribbean Free Trade Agreement* (*CARIFTA*) entered into effect in May 1968, and has since been joined by virtually all English-speaking countries in the area. The agreement establishes free trade among members except for certain products on which restrictions are permitted for from 5 to 10 years. Although the agreement makes no provision for closer integration, the heads of the member governments have indicated their intention that CARIFTA should be a first step toward a Caribbean common market. Just where CARIFTA will fit in the long-term move toward economic integration in Latin America cannot be fully answered as yet, for although there have been some tentative indications of a relationship with the LACM movement, CARIFTA members' ties have traditionally been with the United Kingdom and the Commonwealth.

(e) *Other developments.*—In addition to these broader arrangements, the Latin American countries have commenced a number of projects and studies designed to foster regional infrastructure and strengthen physical and other ties between and among the States. These have been largely in transportation, especially highway development, and telecommunications where the construction of facilities for satellite communications promise to improve significantly the regional network. Following the summit declaration underscoring the need for completing and modernizing Latin America's physical infrastructure, additional resources were allocated to the Inter-American Development Bank to finance studies of multinational projects. In addition, President Johnson suggested that a task force be established to recommend priorities and guidelines for carrying out physical integration. The IDB is currently drawing up an inventory of regional projects and is carrying forward studies related to physical integration in coordination with CIAP.

Despite the positive developments noted above, progress toward effective economic integration has been halting—particularly in the most recent years. In part this reflects the magnitude and complexity of the economic problems facing the area which became visible largely after the initial effort got underway. Probably equally important have been such noneconomic factors as rising nationalism, the preoccupaof Latin American leaders with other problems, and frequent changes in governments, often accompanied by markedly different outlooks and policies. In virtually every instance integration efforts have slowed following an initial spurt of active development. A second general trend has been a movement toward diversification characterized by the initiation of efforts in directions and areas other than trade liberalization which was the principal initial approach. The more recent developments noted below exemplify these trends.

LAFTA.—After a substantial rise in the early years of the association, the growth of intra-LAFTA trade has slowed down. Such trade, which accounted for 12.9 percent of total zonal imports in 1965, dropped to 11.5 percent in 1966 and to an estimated 10.8 percent in 1967. Progress in the annual tariff negotiations has been substantially less than in the earlier years, and efforts to adopt procedures for automatic reductions have not yet succeeded. There has been no real progress in establishing a common external tariff, and effective advances in complementation agreements have been slow in coming.

CACM.—The CACM countries, after 5 years of highly satisfactory growth and economic stability are now experiencing a slowdown in the growth rate accompanied by fiscal and balance-of-payments problems. While these problems are also the result of factors unrelated to the integration movement, efforts to overcome them have led to serious strains among CACM members.

Andean Group.—Despite continuing efforts by Colombia, Chile, and Bolivia to push forward with a subregional agreement, the uncertainties arising from recent government changes in Venezuela, Peru, and Ecuador, coupled with private sector opposition particularly in these countries, signify a slowdown in getting this subregional effort underway.

At the 1967 *Summit Conference* the Latin American Presidents committed themselves to take action beginning in 1970 to establish progressively the Latin American Common Market (LACM) which should be substantially in operation within 15 years. Although a mechanism for coordination between LAFTA and CACM has been established and CIAP has sponsored a series of meetings to discuss the mobilization of resources for an adjustment fund, the Foreign Ministers have been unable to agree on the most important proposals needed to carry out the presidential declaration, and the summit commitments remain unimplemented.

3. CONCLUSIONS

After more promising initial progress, economic integration in Latin America has reached a plateau from which further significant advances will require considerably more effort on the part of Latin American governments to take the action necessary to achieve stated objectives, as well as substantially more time than has been anticipated. The near-term outlook, in fact, is unclear. While we are convinced that the integration movement will persist, it is evident that its future course will be slower than hoped. This course will probably also proceed in a manner somewhat different from that envisaged in 1961, as Latin American proponents of integration seek new approaches that offer the best hope for progress in their quest for the long-term goal.

Although economic integration has failed to develop as anticipated and has suffered some serious shortfalls, its importance as the best course to increase regional trade and growth remains undiminished. For this reason integration should continue to be emphasized as a long-term goal of our inter-American policy and program. The principal impetus for integration must come from the Latin Americans. Nevertheless, it is desirable that the United States continue to demonstrate its support for Latin American efforts toward economic integration, and should also be prepared to respond fully to those initiatives that promise effective results.

COMMODITY STABILIZATION

To develop cooperative programs designed to prevent the harmful effects of excessive fluctuations in the foreign exchange earnings derived from exports of primary products, which are of vital importance to economic and social development; and to adopt the measures necessary to facilitate the access of Latin American exports to international markets.

1. ANALYSIS OF THE GOAL

Instability of export prices and export earnings has been an obstacle to the development of countries heavily dependent on production of primary products. Growth of less-developed countries depends to a considerable extent on the availability of foreign exchange for import of capital goods. Government revenues also depend in large measure on export performance.

Ten products account for 70 percent of Latin America's export receipts. They are primarily foodstuffs and industrial raw materials, most of which are subject to greater price variability than the commodities Latin America imports. Price stabilization would help to smooth income flow and permit more rational long-range development planning. However, price stabilization must be supplemented by expanding market opportunities to provide the growth in income that developing countries need. The broader goal is to maximize foreign exchange earnings over the long term while minimizing short-term fluctuations. The success of programs to stabilize prices is not easy to evaluate in terms of this broader goal.

2. EXPERIENCE TO DATE

Price stabilization agreements for a number of Latin American export products have been proposed since the Alliance was formed—all in a world rather than a Western Hemisphere context—since they are world-trade commodities. Four have been successfully negotiated and are now in operation, that is, coffee, tin, grains, and sugar. Discussion of a cocoa agreement is far advanced. In addition, tentative proposals for international agreements for cotton, bananas, and copper have been considered, but the proposals met with so little encouragement from producing countries that they never reached the negotiating stage.

Tin.—A third International Tin Agreement was negotiated in 1965. The United States participated actively in the negotiation of the agreement, but has never become a member. Bolivia, the only major tin producer in Latin America, is a signatory.

Coffee.—The International Coffee Agreement is the most important recent effort to stabilize prices of commodities important in Latin American trade. Coffee is Latin America's most important agricultural export. Value of exports in 1967 exceeded $1.5 billion. It is grown in 14 countries and accounts for about 18 percent of their total export trade. The coffee agreement was negotiated in 1962 and became effective in 1963. It was renewed in 1968 for a period of 5 years. The agreement has been relatively successful in stabilizing coffee prices.

During the years 1954–62, just prior to negotiation of the coffee agreement, the average U.S. spot price of Brazilian coffee (Santos 4), was 49.19 cents a pound; fluctuations below that price averaged 10.8 cents; fluctuations above that price averaged 13.52 cents. During the period 1963–67, with the agreement in operation, the average of fluctuations on the upside of an average price of 40.83 cents was only 4.85 cents, and the average of fluctuations on the downside was 4.87 cents—less than half the average variation during the preagreement period. The price of coffee in Colombia, the second largest Latin American producer, has also shown much greater stability since the agreement went into effect. The average fluctuation in price above and below the average of 45.24 cents a pound has been only 3 cents. This compares with average fluctuations of 14.47 cents above and 10.78 cents below the preagreement average price of 56.15 cents.

The coffee agreement is the first international commodity agreement which makes a serious effort to promote a better supply-demand balance for a commodity in surplus supply. The revised agreement calls for production controls, under penalty of sharp reductions in export quota for a country which fails to meet its obligation, and also sets up a "diversification fund" to assist countries to convert coffee land to crops for which there are better market prospects. The United States was instrumental in developing this diversification program, and has offered to lend from $15 to $30 million to help get it in operation.

Sugar.—The United States has made an important contribution to the stabilization of Latin America's income from sugar exports through revisions of the U.S. Sugar Act. The U.S. market for sugar from Latin American countries other than Cuba has grown from about 275,000 tons in 1959 to over 3 million tons in 1968. This sugar receives the U.S.-stabilized price, less duty, and the premium over the world price in

1968 amounted to about $90 per ton. Many Latin American countries export sugar only to the United States. Some, however, have exportable surpluses in excess of their quotas for the United States, and these will benefit if the recently negotiated International Sugar Agreement succeeds in raising sugar prices on the world market.

The International Sugar Agreement, negotiated in 1953 and revised in 1958, became inoperative in 1961. After a number of unsuccessful attempts at renegotiation, a new agreement was signed in October 1968 and entered into force on January 1, 1969. The minimum price objective of the new agreement is 3.25 cents a pound. This compares with an average world market price of about 2 cents a pound in recent years. Neither the United States nor the European Economic Community is a signatory of the new agreement. Since the U.S. sugar quota system is completely separate from export quotas established under the agreement for sales in the world market, and since the U.S. price exceeds the maximum of 5.25 cents a pound provided for under the agreement, nonparticipation by the United States has no implication for its effectiveness. Nonparticipation of the EEC, however, with a large potential export availability, does pose a threat to the stabilization of prices under the agreement.

Cocoa.—Cocoa prices are notably volatile. During the period of the Alliance, they have fallen below 12 cents a pound and in recent months have ranged above 45 cents a pound. Proposals for an international cocoa agreement have been under discussion for a number of years, and the United States has taken an active part in all negotiating conferences. Latin America is a relatively small supplier, but cocoa is an important export crop in Brazil, the Dominican Republic, Ecuador and some Central American countries, and stabilization of cocoa prices would be helpful to them. The initiative for resuming negotiations lies, at present, with the producing countries.

Wheat.—A new International Grains Agreement was negotiated in 1967 and became effective in June 1968, to replace the 18-year-old International Wheat Agreement. It consists of two parts, a Wheat Trade Convention and a Food Aid Convention. The Wheat Trade Convention provides new and improved procedures for stabilizing world wheat prices. It is designed to protect importing countries from excessive increases in price under conditions of world shortage. The United States, one of the largest grain exporters, has a direct interest in stabilizing wheat prices in world markets. Argentina, the largest exporter in Latin America, will also benefit, as will Uruguay to a lesser degree.

Measures To Broaden Latin American Access to World Markets

In addition to supporting measures for stabilizing prices of individual commodities, where such measures appear practical, U.S. policy has stressed efforts to reduce barriers to trade and consumption and has supported establishment by the IMF of an adequate compensatory financing facility. The United States reduced tariffs, during the Kennedy round, on a number of commodities that figure in Latin America's export trade. It has supported Latin American efforts to obtain access on more favorable terms to European markets for such products as bananas, coffee, and meat. It is supporting proposals to establish a system of tariff preferences to be extended by industrialized countries to products of less developed countries.

Other stabilization measures

The compensatory financing facilities established by the International Monetary Fund in 1963 have made available $374 million to date to various countries, including some Latin American countries, to help stabilize their income. The Fund will meet requests for drawings by member governments whose export needs fall short of their medium-term trend of earnings. Drawing rights are limited to 50 percent of a country's Fund quota, and must be repaid, but the compensatory financing arrangement does provide temporary relief to countries whose export income declines sharply from causes over which they have no control. It does not provide relief to compensate for a decline in the long-term trend of earnings resulting from changes in demand or loss of market to synthetic products. Countries heavily dependent on such products as rubber, jute, and nitrates, which have experienced such secular declines in income from export trade, continue to urge the establishment of a "supplementary" financing program to assist them to reorient their economies. The proposal is under study by the IMF and IBRD.

3. CONCLUSIONS

Most products offered as candidates for intergovernmental price stabilization agreements have now been thoroughly studied. The majority of those where such an arrangement offered promise are now covered by agreements—coffee, grains, sugar, and tin. A cocoa agreement may prove feasible. Proposals for individual commodity price stabilization arrangements should continue to be studied on a case-by-case basis, but the scope for assisting LDC's by this means is somewhat limited.

The IBRD and the IMF are currently investigating the need for broadening the coverage of the IMF's compensatory financing facilities as well as possible need for providing increased assistance to LDC's seeking to diversify their export opportunities or to reduce production costs of products which are adversely affected by competition from synthetics.

Producers of such commodities as cotton, bananas, and fats and oils, for which formal price stabilization arrangements may not be practicable, can benefit from further extension of the work of more informal international study groups such as the Banana Study Group established, with U.S. support, under FAO auspices. Exchange of information on production and marketing trends, and joint promotion efforts, can do much to limit price fluctuations and to expand export opportunities.

Other Alliance Performance and Self-Help Indicators: Resource Mobilization and Allocation

Although not included among the formal goals of the Alliance, the charter recognized the central importance of and need for "More effective, rational and equitable mobilization and use of financial resources * * *". The record of achievement in the areas of total investment, and government revenue and expenditure has come to receive as much attention as the 12 objectives treated above. The indicators available to us in these fields have a pattern of usefulness and limitations similar to those applying to the major objectives, and we therefore examine them below in a similar format.

Gross Investment

1. ANALYSIS OF GROSS INVESTMENT

Economic theory has always considered capital accumulation not only a principal factor in increasing production, but also the activating agent for introduction of technological advances and use of idle natural resources. In national income accounting, the most commonly used indicator in this area is gross investment, which measures the total expenditure on goods and services devoted to the building of new productive facilities, and embodied in the inventories of goods which tend to be needed as total production grows. In theory, the greater the rate of investment, the faster output should grow. How much investment an economy needs to grow at any specified rate, therefore, depends on how productive the investment is.

The productivity of investment or the adequacy of its level to produce a desired growth rate cannot readily be determined by comparing current or recent rates of investment and growth. Current investment may not produce its intended output for some time after the bulk of the expenditure on new facilities is made. It may cost more than expected; it may pay off less than expected; new production from new facilities may be offset by loss of production from old facilities. Expected market demand may fail. Output may be reduced by any number of internal and external factors.

The level of investment and its productivity are only partly subject to public policy. It may be possible to stimulate private investment by a variety of fiscal and monetary policies as well as direct financing and protection measures. Nevertheless, the level and productivity of private investment depend strongly on private decisions to invest, in turn affected by the profitability of opportunities, confidence in the future, financing capacity, and managerial know-how. The best of public help and support may not pay off, at least in the short run.

Public investment is under more direct control of the government, but lack of political consensus may hinder attempts to make it productive. Also, public works-type investments such as transportation facilities are in practice a help to private production, but depend on the latter for their major contribution to economic output.

Raising funds for public investment may also take funds or credit from potential private investors, thereby causing a shift in the mix of total investment rather than an increase in amount.

2. EXPERIENCE TO DATE

In examining the data on gross investment levels in the Alliance countries we generally use as a standard measure of investment the relation of investment to GNP. Comparison of trends and period averages—rather than yearly fluctuations—gives a better idea of the effects of investment. Over the Alliance years, gross investment in

Latin America has been about 18 percent of regional GNP, which compares with 16 percent for the Near East and South Asia area, 20 percent for the Far East (excluding Japan) and approximately 18 percent for the United States. The ratio of gross investment to gross national product in Latin America shows a drop from 19.3 percent in 1960 to 17.8 percent in 1963, and recovery to 18.4 percent since then. The decline was mainly due to stabilization efforts with reduced credit availability and curtailed public spending by Argentina and Brazil. If these two countries are excluded, the regional ratio rises from 18.6 percent in 1960 to 19.8 percent in 1967, with Bolivia, Nicaragua, Honduras, Panama, and Peru making particularly notable gains in this ratio. The Central American Economic Community countries as a group have not yet caught up with the regional average, although their investment is increasing at a faster rate—with a 47 percent rise between 1963 and 1967 compared to a 28 percent regional increase. Investment in these CAEC countries averages just above 15 percent of GNP.

A comparison of Alliance period investment rates and growth performance shows that, of the Latin American Republics with investment-GNP ratios of over 18 percent, nearly all are above-average growth performance countries. (See table A.) Mexico, Panama, Peru, and Venezuela show capital investment generally above, and often well above, the average for every year of the Alliance period. The first three countries are in the high growth category (above the Alliance minimum target of 2.5 percent), Venezuela shows average growth (5 percent increase in total GNP). Nicaragua, another fast grower, has experienced steadily rising investment from a low 13 percent of GNP in 1960 to a current level of close to 21 percent. In two other countries—Chile and Colombia—gross investment fluctuated around the average during all of the 1960's, with Colombia at the slightly higher level. Both of these countries averaged just above 4 percent growth of their economies annually. The exception among high investment countries is Argentina. With the highest rates of gross investment of any of the Latin American Republics (23–24 percent) for the first years of the Alliance, Argentina suffered significant drops in investment with only incomplete and intermittent recoveries during the rest of the period. Its growth rate suggests that there are serious obstacles to the productivity of its capital investment.

Moreover, most of the countries with low investment-GNP ratios show only mediocre growth performance. Investment in Brazil, about 18 percent of GNP for the first few years of the decade, began to drop in 1963, leveling at just a little over 13 percent in 1965, and has only lately revived to 15 percent. Paraguay, Uruguay, Honduras, and the Dominican Republic, all below average in per capita income growth, show very low investment-GNP ratios, never attaining 18 percent in any year during the Alliance. Guatemala and Ecuador, likewise very low in investment, just barely surpass the 1.5 percent average for Latin America per capita income growth.

But, as with the high investment group, there are exceptions. Bolivia, El Salvador, and Costa Rica all surpass the Alliance minimum for growth, despite investment inputs of only 14 to 16 percent of GNP, suggesting productivity of investment was high.

3. CONCLUSIONS

The data show clearly that most Latin American countries have either substantially increased investment levels or maintained already high levels of investment. The major exceptions are the countries where inflation became disruptive and where price and balance-of-payments stabilization programs made restriction of demand necessary.

TABLE A.—INVESTMENT AS A PERCENT OF GROSS NATIONAL PRODUCT IN 1967

Peru	23 1	Costa Rica	16 2
Panama	22.9	Bolivia	15 9
Mexico	21.1	Honduras	15.1
Nicaragua	20.6	Brazil	15.0
Venezuela	20 6	Ecuador	14.3
Colombia	19.3	El Salvador	14 2
Chile	18.5	Guatemala	13.6
Argentina	18.3	Uruguay	12.0
Dominican Republic	16.9		
Paraguay	16.4	Average	18.4

TABLE B.—LATIN AMERICA GROSS INVESTMENT

[In millions of dollar equivalents at 1966 prices]

	1960	1961	1962	1963	1964	1965	1966	1967[1]
Argentina	3,207	3,543	3,175	2,459	2,948	3,197	2,900	3,240
Bolivia	62	50	82	80	87	103	106	114
Brazil	3,569	4,033	4,101	3,958	3,846	3,307	3,723	4,065
Chile	616	708	692	779	743	834	880	935
Colombia	902	989	925	909	1,009	920	1,174	1,095
Costa Rica	86	69	80	83	84	117	106	107
Dominican Republic[2]	73	58	100	137	171	87	135	173
Ecuador	151	154	146	153	164	167	178	189
El Salvador[2]	82	71	74	86	108	119	128	124
Guatemala	118	125	124	143	175	195	196	207
Honduras[2]	54	50	64	71	72	75	79	84
Mexico	3,020	2,040	3,040	3,360	4,090	4,210	4,570	4,940
Nicaragua[2]	49	53	63	78	89	97	119	122
Panama	69	88	97	110	100	113	159	176
Paraguay	([3])	([3])	46	40	45	68	81	78
Peru	411	470	522	495	517	660	796	860
Uruguay[1]	223	229	217	196	189	198	186	183
Venezuela	1,316	1,280	1,388	1,390	1,837	1,815	1,710	1,725
CAEC gross investment	(389)	(368)	(405)	(461)	(528)	(603)	(628)	(644)
Latin America (total, 28 Republics)	14,054	15,057	14,936	14,527	16,274	16,282	17,226	18,417
Latin America (without Argentina and Brazil)	7,232	6,434	7,660	8,110	9,480	9,778	10,603	11,112

[1] Preliminary estimates 1967 data are estimates based on available information up to January 1968
[2] Gross fixed investment only; data on changes in stocks not available.
[3] Not available

Source PPC/SRD.

TABLE C.—LATIN AMERICA, GROSS INVESTMENT

[In percent]

	Increases in investment (constant prices)			Percent of GNP	
	1960–63	1963–67	1960–67	1960	1967
Argentina	−23	24	1	23 3	18.3
Bolivia	29	55	84	12.7	15 9
Brazil	10	−13	13	17.8	15 0
Chile	27	25	52	17.0	18.5
Colombia	8	20	21	21 5	19.3
Costa Rica	−3	27	24	18.4	16.2
Dominican Republic [1]	88	49	137	8 5	16.9
Ecuador	1	24	25	115.7	14 3
El Salvador [1]	5	46	51	14.1	14.2
Guatemala	21	54	75	11.5	16 6
Honduras [1]	32	24	56	12.6	15.1
Mexico	11	52	63	19.9	21.1
Nicaragua [1]	59	90	149	13.0	20 6
Panama	59	96	155	16.0	22.9
Paraguay [2]	−13	82	69	(3)	16 4
Peru	20	89	109	16 9	23.1
Uruguay [4]	−12	−6	−18	15.3	12.0
Venezuela	5	26	31	21.7	20.6
Latin America (average 18 Republics)	3	28	31	19.3	18.4
Central America (5 CAEC Republics)	19	47	66	13.5	15.3

[1] Gross fixed investment only, data on changes in stocks not available.
[2] 1962–64 only; 1960 and 1961 not available.
[3] Not available.
[4] Preliminary estimates.

TABLE D.—LATIN AMERICA, INDEXES OF INVESTMENT (CONSTANT 1966 PRICES)

	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Argentina	100	110 5	99 0	76 7	91.9	99.7	90 4	101.0
Bolivia	100	80 7	132 3	129.0	140.3	166.1	171 0	183 9
Brazil	100	113 0	114 9	110.9	107.8	92 7	104.3	113.9
Chile	100	114.9	112.3	126.5	120 6	135 4	142.9	151 8
Colombia	100	109.6	102.6	100 8	111.9	102.0	130 2	121.4
Costa Rica	100	80.2	93.0	96 5	97 7	136 0	123 3	124.4
Dominican Republic [2]	100	79 5	137 0	187.7	234 3	119.2	185.0	237 0
Ecuador	100	102 0	96.7	101.3	108 6	110.6	117 9	125.2
El Salvador [2]	100	86 6	90 3	104.9	131 8	145.2	156 2	151.3
Guatemala	100	105 9	105 1	121.2	148 3	165.3	166 1	175.4
Honduras [2]	100	92 6	188 5	131.5	133 3	138 9	146.3	155 6
Mexico	100	100.6	100 6	111.3	135.4	139 4	151 3	163.6
Nicaragua [2]	100	108.2	128 6	159.2	181.6	198.0	242.9	249 0
Panama	100	127.5	140.6	159.4	144 9	163.8	230.4	255.1
Paraguay [3]			100 0	86 9	97.8	147.8	176.1	169.6
Peru	100	114 4	127.0	120.4	125 8	160 6	193.7	209.2
Uruguay [1]	100	102.7	97.3	87.9	84.8	88.8	83.4	82 1
Venezuela	100	97.3	105 5	105 6	139.6	137.9	129.9	131 1
Central America, 5 CAEC Republics 100	100	94 6	104 1	118 5	135.7	155.0	161.4	165 6
Total Latin America, 18 Republics	100	107.1	106.3	103.4	115 8	115.9	122.6	131 0

[1] Preliminary estimates 1967 data are estimates based on available information up to January 1968
[2] Gross fixed investment only; data on changes in stocks not available.
[3] Base year is 1962.

TABLE E.—LATIN AMERICA, GROSS INVESTMENT AS PERCENTAGE OF GROSS NATIONAL PRODUCT

[Millions of dollar equivalents at 1966 prices]

	1960	1961	1962	1963	1964	1965	1966	[1] 1967
Argentina	23.3	24.1	22.5	17.1	19.6	19.1	17.9	18.3
Bolivia	12.7	10.0	16.4	16.0	15.7	16.7	16.1	15.9
Brazil	17.8	18.7	18.4	17.6	16.6	13.3	14.4	15.0
Chile	17.0	18.4	16.0	18.8	17.8	18.5	18.1	18.5
Colombia	21.5	22.5	19.4	19.1	18.5	17.4	21.5	19.3
Costa Rica	18.4	14.7	16.1	15.7	15.5	19.6	16.9	16.2
Dominican Republic [2]	8.5	7.2	11.3	14.3	16.6	9.8	13.6	16.9
Ecuador	15.7	15.8	14.3	14.3	14.3	14.1	14.3	14.3
El Salvador [2]	14.1	11.7	10.8	12.0	14.1	14.9	15.2	14.2
Guatemala	11.5	11.7	10.5	11.3	13.0	13.8	13.3	13.6
Honduras [2]	12.6	11.6	14.4	15.5	14.9	14.5	14.8	15.1
Mexico	19.9	19.4	18.5	19.2	21.3	20.8	21.0	21.1
Nicaragua	13.0	13.2	14.4	16.7	18.4	18.2	21.0	20.6
Panama	16.0	18.5	19.8	20.0	17.6	18.1	22.6	22.9
Paraguay	(3)	(3)	11.4	9.7	10.5	14.9	17.5	16.4
Peru	16.9	17.8	23.3	20.8	18.8	20.8	22.5	23.1
Uruguay	15.3	15.2	15.3	13.5	12.5	13.0	12.0	12.0
Venezuela [4]	21.7	20.9	19.9	19.5	23.4	23.3	21.5	20.6
Latin America (total 18 Republics)	19.3	19.7	18.8	17.8	18.7	17.8	18.1	18.4
Latin America (without Argentina and Brazil)	18.6	16.0	18.1	18.2	19.7	19.4	19.9	19.8
Central America (5 CAEC Republics)	13.5	12.4	12.8	13.5	14.6	15.6	15.5	15.3

[1] 1967 data are estimates based on available information up to January 1968.
[2] Gross fixed investment only; data on changes in stock not available.
[3] Not available.
[4] Preliminary estimates.

Source: PPC/SRD.

GOVERNMENT REVENUES

1. ANALYSIS OF REVENUE PERFORMANCE

The charter's call for tax reform aimed at improvements in (i) the countries' ability to collect levels of revenue adequate to support the various public development programs needed to reach other Alliance goals; (ii) the equity of the tax systems in order to improve income distribution; and (iii) the effectiveness of the tax systems as instruments to promote growth and development.

A major question is what to measure. Our standardized data are for central government tax and total revenues. However, many countries have state and local government revenues and also substantial social insurance collections. Tables B and C show, respectively, central government revenues and estimates of all levels of government plus social insurance, each as a percent of GNP. A comparison of the two indicates how the countries vary in revenue structure between federalized and centralized systems. Some countries (e.g., Chile) are highly centralized, while in others (e.g., Brazil, Argentina, Mexico), the regional and local governments have considerable taxing and revenue powers which are not reflected in central government figures.

Probably the best single yardstick that allows for some quantification of country performance in this field is the revenue or tax burden, namely, that portion of total income collected by government, usually calculated as total revenue or taxes as a percent of GNP. This measure gives some idea of the government's willingness to tap domestic sources to finance public efforts in development. Another way of measuring revenue effort or tax system effectiveness is to calculate that portion of additional, or incremental, income (GNP) that goes to the government each year. Both measures are used here.

The numerical indicators by themselves, however, cannot provide an evaluation of country self-help in this field. The adequacy of revenues depends partly on the needs for public funds to finance development expenditure. Needed expenditure depends on the nature and severity of the country's problems, and the extent to which the country must rely on government activity and financing.

2. EXPERIENCE TO DATE

Central government taxes as a percent of GNP

Available data (see table A) shows that 13 of the 16 countries had increased their ratio of taxes to GNP (tax burden ratio of central government revenues) in 1967 compared with 1961 data. Chile, Colombia, Ecuador, and Honduras increased their tax share of total income more than 25 percent between these years. On the other hand, in 1967, Dominican Republic, El Salvador, Uruguay, and Venezuela all collected a lower portion of income in taxes than they did in 1961. In Argentina, the ratio in 1967 had just recovered to 1961 levels, after declining to a 1964 low.

By 1967, central governments were collecting 12.2 percent of total income in taxes, a substantial increase considering that the ratio had fluctuated between 11.1 and 11.5 percent through 1965. Recent efforts to improve tax administration and collection and to reform tax structure have helped achieve this increase. Venezuela and Chile collect the largest percent of GNP in taxes, 21 and 20.5 percent, respectively. Mexico has consistently collected the smallest percentage.

Total central government domestic revenues as a percent of GNP

Central governments have sources of revenues other than taxes, of course. State-run enterprises are one example. Thus, total domestic revenues, tax and nontax, provide a clearer picture of government income than taxes alone, particularly because some Latin American countries receive as much as 20 percent of their revenues from nontax sources.

In Latin America, the central governments collected 13.6 percent of total income in 1967, 12.2 percent of it in taxes. Considering the ratio of annual increases in revenues to annual increases in GNP, as another means of evaluating the trends, we find that Chile far surpasses other governments in tapping new revenue sources—with an average revenue gain equal to 44 percent of the GNP increase. Ecuador's ratio, 34 percent, is also high. The average of this "incremental" ratio for the region is 14.5 percent. (See table E for complete details.)

Revenues of all levels of government

The measure of revenue that includes revenues of the central government, extrabudgetary agencies, regional and local governments, and social insurance agencies gives the best picture of all public resources. Available data show that, in 1965, five countries had revenues from all levels greater than 20 percent of GNP. (See table F.) Chile (26 percent) and Venezuela (23 percent) were again in this high group, but were topped by Brazil (30.4 percent) with its more federalized system of government. Mexico and Guatemala show lowest percentages (total revenues of 10.4 and 10.7 percent of GNP, respectively).

3. CONCLUSIONS

It is apparent that most countries have begun to make their revenue systems into effective and adequate tools for development and income distribution, and that most of Latin America must yet continue to give tax laws and other revenue-related issues specific attention. Further, reform laws that are legislated need to be effectively enforced. Almost every government has received technical assistance in tax administration and collection, and improved collections are beginning to show. But the most critical process—that of changing public attitudes toward taxation—remains a slow one. Ultimately, these attitudes turn upon both the fairness and thoroughness with which the tax laws are administered and upon public confidence in how well and wisely the government will expend revenues it has collected. Public confidence in the probity and efficiency of government is not high in most of Latin America.

In broader perspective, we conclude that considerable additional tax modernization is required. Levels of revenues are adequate or becoming more adequate in many countries. The quality of the tax systems, the efficiency of the taxes, and their suitability as instruments for stimulating development require much additional reform, which in turn needs much study and experimentation, and considerable political courage and adroitness.

TABLE A.—LATIN AMERICA. TAX AS A PERCENT OF GNP

	1961	1962	1963	1964	1965	1966	1967
Argentina	10.1	10.0	8.6	7.6	8.6	8.8	10.0
Bolivia	8.4	8.9	8.8	9.9	9.2	9.8	9.6
Brazil	13.3	13.0	13.5	13.1	14.1	15.5	14.5
Chile	16.4	15.8	15.5	15.4	17.7	19.9	20.5
Colombia	6.2	5.2	6.3	6.7	6.8	8.3	8.5
Costa Rica	11.3	12.2	10.9	11.9	12.1	12.3	12.2
Dominican Republic	14.5	13.8	14.7	15.1	11.7	14.2	14.3
Ecuador	13.7	13.4	14.2	15.5	14.5	14.1	16.8
El Salvador	10.0	9.6	9.8	10.7	10.6	9.9	9.4
Guatemala	7.6	7.4	6.2	6.8	7.6	7.3	7.3
Honduras	7.5	7.1	7.3	8.0	8.8	9.4	9.6
Mexico	5.9	6.1	6.4	6.8	7.1	6.5	7.0
Nicaragua	8.5	8.3	8.6	9.2	10.6	10.5	10.6
Panama	10.0	10.5	9.8	9.9	10.4	11.0	11.6
Paraguay	8.4	8.6	7.8	7.7	9.6	9.5	9.9
Peru	13.0	14.2	15.5	15.4	14.3	14.4	14.4
Uruguay	14.5	13.1	13.4	13.4	12.3	13.1	8.5
Venezuela	22.8	21.8	22.1	20.9	20.0	20.4	20.8
Latin America (total 18 Republics)	11.4	11.3	11.3	11.1	11.5	12.0	12.1
Central America (5 CAEC Republics)	8.8	8.7	8.2	8.9	9.5	9.4	9.2

TABLE B.—LATIN AMERICA: CENTRAL GOVERNMENT REVENUES AS A PERCENT OF GNP

	1961	1962	1963	1964	1965	1966	1967
Argentina	14.4	11.8	10.8	9.7	10.6	11.0	12.5
Bolivia	8.6	9.2	10.1	11.1	10.6	11.6	11.6
Brazil	14.1	13.8	14.1	13.8	15.1	16.1	15.2
Chile	20.0	20.7	19.8	19.0	22.4	24.8	25.7
Colombia	7.4	6.5	7.7	8.0	7.7	9.1	9.3
Costa Rica	14.1	14.5	12.7	13.4	17.9	17.4	17.6
Dominican Republic	17.5	17.1	17.9	18.8	13.1	16.3	16.7
Ecuador	18.5	18.1	19.5	20.4	19.8	18.9	22.6
El Salvador	12.9	11.8	12.6	12.5	11.9	11.2	10.9
Guatemala	8.3	8.0	7.0	7.5	8.4	8.2	8.4
Honduras	10.5	10.5	10.5	9.7	10.6	11.4	11.2
Mexico	7.0	7.2	7.6	7.7	8.3	8.0	7.6
Nicaragua	9.9	9.2	9.7	10.9	12.2	12.2	12.1
Panama	13.9	13.6	13.1	13.2	13.7	14.1	14.9
Paraguay	9.1	9.3	8.5	8.6	10.4	10.6	11.2
Peru	15.2	15.8	18.3	18.2	17.6	17.5	17.7
Uruguay	16.4	15.0	14.9	14.8	12.7	14.4	9.3
Venezuela	23.8	22.4	23.1	22.0	21.2	21.7	22.1
Latin America (total 18 Republics)	13.4	12.7	12.9	12.5	13.1	13.7	13.6
Central America (5 CAEC Republics)	10.7	10.4	9.9	10.2	11.4	11.2	11.2

TABLE C.—LATIN AMERICA: REVENUES OF ALL LEVELS OF GOVERNMENT (INCLUDING SOCIAL INSURANCE) AS PERCENTAGE OF GROSS NATIONAL PRODUCT

	1961	1962	1963	1964	1965	1966
Argentina	25.4	20.5	20.3	18.3	18.9	19.2
Bolivia	12.8	14.1	15.5	15.7	14.7	15.0
Brazil	28.6	28.7	29.8	27.9	30.4	29.2
Chile	25.7	26.0	24.0	22.7	25.8	27.3
Colombia	14.9	14.2	14.1	13.3	13.4	14.9
Costa Rica	17.2	17.5	15.8	16.5	16.9	17.6
Dominican Republic	19.8	19.0	19.8	19.9	14.3	18.7
Ecuador	21.4	21.0	22.5	23.7	22.9	22.6
El Salvador	14.2	12.9	13.8	13.6	14.3	14.3
Guatemala	10.2	9.9	9.1	9.4	10.7	10.7
Honduras	11.6	11.6	11.7	12.5	14.3	13.9
Mexico	9.4	9.7	10.1	10.0	10.4	10.4
Nicaragua	11.7	12.0	13.0	13.6	14.3	14.5
Panama	17.7	17.7	17.5	17.7	18.6	19.1
Paraguay	10.4	11.0	11.1	11.2	13.0	12.6
Peru	(1)	(1)	(1)	(1)	(1)	(1)
Uruguay	29.3	29.5	28.8	26.7	22.5	19.2
Venezuela	26.0	24.4	25.2	24.0	23.0	23.5
Latin America (average, 18 Republics)	21.5	20.5	20.9	19.7	20.4	20.5
Central America (average, 5 CAEC Republics)	12.5	12.3	12.0	12.4	13.4	13.5

1 Not available.

TABLE D.—TAX AS A PERCENT OF GNP 1967

Venezuela	21.0	Paraguay	10.0
Chile	20.5	Bolivia	9.6
Ecuador	16.9	Honduras	9.6
Brazil	14.5	El Salvador	9.4
Peru	14.4	Colombia	8.6
Dominican Republic	14.3	Uruguay	8.5
Costa Rica	12.0	Guatemala	7.7
Panama	11.8	Mexico	7.0
Argentina	10.1		
Nicaragua	10.0	Regional average	12.2

TABLE E.—INCREASE IN CENTRAL GOVERNMENT REVENUE AS PERCENT OF INCREASE IN GNP, 1967 OVER 1961

Chile	44.1	Colombia	15.5
Ecuador	34.1	Honduras	13.8
Costa Rica	26.0	Dominican Republic	13.7
Peru	23.8	Mexico	8.8
Paraguay	20.3	Guatemala	8.4
Brazil	19.2	El Salvador	6.3
Bolivia	19.0	Argentina	−1.3
Venezuela	17.6	Uruguay	−454.3
Nicaragua	16.9		
Panama	16.6	Average	14.5

TABLE F.—LATIN AMERICA: REVENUES OF ALL LEVELS OF GOVERNMENT PLUS SOCIAL INSURANCE AS A PERCENT OF GNP, 1965

Brazil	30.4	Bolivia	14.7
Chile	25.8	Nicaragua	
Venezuela	23.0	El Salvador	14.3
Ecuador	22.9	Dominican Republic	
Uruguay	22.5	Honduras	
Peru	19.9	Colombia	13.4
Argentina	18.9	Paraguay	13.0
Panama	18.6	Guatemala	10.7
Costa Rica	16.9	Mexico	10.4

Central Government Expenditures

1. ANALYSIS OF EXPENDITURE PATTERNS

The other side of the increasing revenues story is the change in the expenditures of central governments, and more significantly, the changes in the way they allocate their budgetary resources. The Charter of Punta del Este points out that country development programs should include the adaptation of budget expenditures to meet development needs. For a measure of how successfully Latin American governments have executed this suggestion, we can compare changes in public capital outlay and in expenditures on agriculture and education to changes in such less development-oriented sectors as defense.

These indicators are highly imperfect measures because they represent only direct expenditures of central government, possibly omitting investments made by public corporations and by State and local governments with funds obtained from sources other than the central government budget; agriculture programs operated by agricultural banks and development corporations; and education outlays of State and local governments. They give no indication of the quality of the expenditure, nor of the wisdom of the allocations in individual cases, e.g., whether capital outlay for roads should have been smaller, and operating expenditures for education higher. Nevertheless, the general trends can serve to suggest what kind of attention these Alliance priorities are getting in the various countries.

2. EXPERIENCE TO DATE

To give some idea of allocation changes within budgets, statistics show that, regionally, capital outlay averaged 26.4 percent of total budgets in 1961, but had risen to 30.9 percent by 1967. Central government expenditures on education amounted to 9.3 percent of all expenditures at the beginning of the period, increasing to 13.3 percent by 1967. These figures, however, do not reflect the full size or increase in public efforts to improve education, since regional and local governments (for which comprehensive data are not available) contribute substantial amounts to this sector, particularly in countries with decentralized government structures, such as Argentina, Brazil, Colombia, and Mexico. Similar data on central government agricultural expenditures are unavailable for many countries before 1963, but for that year Latin American budgets show an average of 4.6 percent of total expenditures going to agriculture. This figure had increased to 5.8 percent by 1967. In comparison, the region's defense expenditures were 11.5 percent of total central government budgets in 1961, increasing to 12.9 percent in 1964, but declining to 12.4 percent by 1967. Since defense is an exclusively central government responsibility, there do not exist unaccounted-for local inputs, as exist for agriculture and education.

Although the expenditure pattern varies from country to country, the increases in total expenditures during the period are lower than total domestic revenue increases for the region, reflecting a reduction in the large budget deficits in some countries at the beginning of the period. Considering the actual amount of the increases, total central government expenditures in Latin America rose 13 percent from 1961 to 1967 in real terms. However, this figure is heavily influenced by major countries, especially Argentina, with a 10 percent drop, and Brazil, with large austerity cutback since 1965 to help reduce inflation. Excluding these two countries, total expenditures in the region have risen 44 percent. Within this total increase of 13 percent, capital outlay, which goes, for example, to such public investment projects as roads and water systems, has risen 32 percent (35 percent excluding Argentina). Central government expenditures on education rose nearly 62 percent in real terms between 1961 and 1967, and for agriculture, since 1963, (data is insufficient before then). Latin American country budgets show an overall 38.5 percent increase. Eight countries more than doubled budgets for this later sector during the Alliance period. Defense expenditures on the other hand have essentially stabilized—1967 expenditures being less than 1 percentage point higher than those in 1964 as a percent of total outlays. The overall increase in defense spending in real terms for the period 1961–67 was 22 percent.

3. CONCLUSIONS

For the region, increases in amounts and in proportion of total budgets for three measures of public development efforts—capital outlay, agriculture expenditures, and education expenditures are a clear indication that the Alliance countries have taken seriously their commitment to development and to the priority areas within that general focus. This response shows through all the obstacles of political resistance and competing claims on scarce resources.

TABLE A.—LATIN AMERICA: CAPITAL OUTLAY AS A PERCENTAGE OF TOTAL CENTRAL GOVERNMENT EXPENDITURES

	1961	1962	1963	1964	1965	1966	1967
Argentina	13.5	16.5	18.8	17.2	15 5	16.1	16 0
Bolivia	29 5	27.0	18.5	17.8	20.2	31.1	31.1
Brazil	29 9	33 2	28.3	32.1	36.8	36.0	40.1
Chile	27.2	30.9	33.5	3 53	32.3	31.8	32.2
Colombia	38 3	34.4	37.1	38.9	36 8	37.2	44.4
Costa Rica	17.5	22.3	19 2	28 1	20.5	21.5	22.1
Dominican Republic	21.0	11.5	10.5	13.7	3 8	15.2	25.6
Ecuador	23 5	20 0	19.2	18.9	17.3	17.3	14.1
El Salvador	18 9	16 5	25.2	28.9	34.3	34.0	34.1
Guatemala	27.1	36.1	20.5	16.5	27.1	19.0	20.8
Honduras	19.4	22.4	24 0	21.0	24.6	24 1	25 3
Mexico	25.4	23.8	25 0	26 9	24.9	24.2	24.5
Nicaragua	30.2	35.5	35.6	38 8	33 9	35.1	32.6
Panama	20.1	21.6	27.6	19.4	12.6	10.3	14.8
Paraguay	30 4	29.9	20.4	25.8	28.8	29.0	43.5
Peru	17.3	22.8	22.0	22 1	21.6	21 3	20.2
Uruguay	3.8	5 3	3.8	3.8	7.2	10.7	7.6
Venezuela	41.6	37.8	36 2	41.7	39.4	38.4	39.6
Latin America (total 18 Republics)	26 4	28.2	26 7	28 9	29 3	29.0	30 9
Central America (5 CAEC Republics)	22 2	26.7	24.0	26 1	27.9	26 2	26.6

TABLE B.—LATIN AMERICA: AGRICULTURE AS A PERCENT OF TOTAL CENTRAL GOVERNMENT EXPENDITURES

	1961	1962	1963	1964	1965	1966	1967
Argentina	2 3	2.4	2 4	1.6	1.5	1.5	1.5
Bolivia	5.8	4.9	4.0	4.7	4.2	2 5	4.0
Brazil	(1)	1.1	1.5	2.1	2 2	2.4	2.3
Chile	(1)	(1)	3 4	5.9	5.5	4.8	5.8
Colombia	(1)	12.4	8 4	12.1	11.8	11.7	12.8
Costa Rica	2 0	2.1	2.1	3.4	7.6	3.8	3.8
Dominican Republic	5 8	5 7	6.4	5.7	3 1	7.0	17.1
Ecuador	(1)	6.3	5 9	5 5	5.6	5.6	5.5
El Salvador	2.8	2.6	5.2	7.0	9.4	8.9	8.9
Guatemala	(1)	7.9	5.0	4 7	5 6	4 1	4.2
Honduras	(1)	(1)	16 5	16.5	12.0	8 8	6.9
Mexico	9 9	13 7	13.7	14 0	8.5	9.2	12 5
Nicaragua	(1)	5 7	6.3	5 6	8 0	8.9	9 9
Panama	2 0	2.5	2.6	3.1	5.4	7.1	7.1
Paraguay	(1)	8 2	9.3	8.9	11.1	14.0	8.1
Peru	4.2	4 3	5 0	5.4	5 9	8 1	8.1
Uruguay	2.1	2.4	2.4	2.4	1.7	1.3	1.6
Venezuela	10.6	9 9	9.5	10 1	10 2	9.4	8.4
Latin America (total, 18 republics)	(1)	(1)	4.6	5 1	5 1	5 2	5.8
Central America (5 CAEC Republics)	(1)	(1)	6.2	6.6	8.1	6.5	6.5

1 Not available.

TABLE C.—LATIN AMERICA: INDICES OF CENTRAL GOVERNMENT EXPENDITURES ON AGRICULTURE (CONSTANT 1966 PRICES)

	1961	1962	1963	1964	1965	1966	1967
Argentina	100	90.9	81 8	58 5	54.6	59.4	58.9
Bolivia	100	109.3	127.9	141.9	183.7	67.4	118.6
Brazil	(1)	100 0	139.1	185 0	161 3	183.1	171.4
Chile	(1)	(1)	100.0	178 5	195.7	183 1	222.3
Colombia	(1)	100.0	68.1	94.7	99.1	112.0	135 7
Costa Rica	100	112 5	118 8	212.5	568.8	293.8	325.0
Dominican Republic	100	108.3	126 0	120 8	62 5	143.7	358.3
Ecuador	(1)	100.0	96.9	100.0	107.0	106.3	130 5
El Salvador	100	88 5	192.3	269 2	438.5	411.5	426 9
Guatemala	(1)	100 0	57.0	59 3	86.0	65.1	70.9
Honduras	(1)	(1)	100.0	98.9	76 8	62 1	54.7
Mexico	100	148 9	163.8	167.4	130.6	148 2	208.8
Nicaragua	(1)	100.0	116.7	123 3	190.0	256.7	323.3
Panama	100	125.0	150.0	181 3	312.5	475.0	543.8
Paraguay	(1)	100 0	108 8	108 8	176.5	232.4	194.1
Peru	100	122 2	167 8	213 3	240 0	355.0	347.2
Uruguay	100	128 3	122 6	122.6	71 7	58 5	56.6
Venezuela	100	83.9	85.2	100.6	111.9	107.2	101.8
Latin America (total 18 Republics)	(1)	(1)	100.0	115.6	112.7	121.2	138.5
Central America (5 CAEC Republics)	(1)	(1)	100 0	115.3	164 9	139.5	150.4

1 Not available.

TABLE D.—LATIN AMERICA, EDUCATION AS A PERCENTAGE OF TOTAL CENTRAL GOVERNMENT EXPENDITURES

	1961	1962	1963	1964	1965	1966	1967
Argentina	10.0	11.8	13.2	15.4	14.1	14.0	16.3
Bolivia	16 4	14.0	10.2	11.7	22.1	21 1	18.8
Brazil	3.1	3 6	3.0	6.1	6.7	5.7	6 2
Chile	13 6	13.9	13.0	13 8	13 7	14.6	15.9
Colombia	12.2	17.8	16.6	19.5	16.6	14.5	13.5
Costa Rica	23 7	25.0	24 6	24.0	19.9	23.5	22.0
Dominican Republic	7.6	7.7	9.9	11.8	9.5	13.4	15.9
Ecuador	11 2	12.4	13.3	12.9	12 9	12.9	12.4
El Salvador	18 6	20.0	18.9	19.8	19.0	17.1	17.1
Guatemala	20.9	16.8	20.0	18.7	17.6	17.6	17.3
Honduras	16.6	16.7	18.0	18.0	23.1	23.9	22.3
Mexico	17.4	17.9	17.9	19.8	18 4	19.5	17.5
Nicaragua	13.4	13 4	15 0	14.4	16.1	16.5	18.4
Panama	21.6	22.8	21.7	22.9	27.8	25.0	23 9
Paraguay	13.2	12.8	15.9	16.4	13.1	13.9	10 5
Peru	24 0	22.9	22.1	20 3	21.3	22 3	22.3
Uruguay	14 6	13 7	13 2	12.9	25.8	18 5	27.7
Venezuela	10.2	11.4	11.4	11.6	12.0	11.9	12.5
Latin America (total, 18 Republics)	9.3	10.0	10 0	11.9	13.0	12.7	13.3
Central America (5 CAEC Republics)	19.4	18.8	19.8	19.4	18.9	19.5	19.2

TABLE E.—INDEXES OF CENTRAL GOVERNMENT EXPENDITURES ON EDUCATION

[Constant 1966 prices]

	1961	1962	1963	1964	1965	1966	1967
Argentina	100	102 6	103 4	129 3	117.9	127.1	147.1
Bolivia	100	110.7	114.8	124.6	341.0	202.5	195 1
Brazil	100	129.5	105 1	213.6	190.9	166.0	178.9
Chile	100	115 8	106 8	117.0	135.9	155 5	171.8
Colombia	100	132.6	124 2	141.0	128.5	128 5	132.5
Costa Rica	100	109 9	114.7	124 1	124.1	153.4	156.5
Dominican Republic	100	111.1	134 9	189.7	145.2	209.5	254.0
Ecuador	100	113.0	125.1	134.5	141.3	140.4	168 6
El Salvador	100	140.1	108 3	117.2	136.1	121.3	125 4
Guatemala	100	88.4	94.7	98 1	113.0	115.9	120 8
Honduras	100	103 3	115.6	113 3	157.8	178 9	185.6
Mexico	100	110.8	121.8	134.7	160.9	178 7	166 4
Nicaragua	100	120 3	140.7	162 7	194.9	240.7	306.8
Panama	100	108 9	118.9	126.0	151 5	169.2	173.4
Paraguay	100	106.0	124.0	136.0	142 0	158.0	170.0
Peru	100	113.6	129.4	140.3	151.5	171.0	167.1
Uruguay	100	106.1	97.3	94.3	155 8	117.9	143 6
Venezuela	100	100.4	106.3	120.1	136.8	140.9	157.4
Latin America (total, 18 Republics)	100	111.4	111.9	139 1	147.4	152 2	161.8
Central America (5 CAEC Republics)	100	102.4	109.6	116.8	133 8	145.4	154.9

TABLE F.—LATIN AMERICA: CENTRAL GOVERNMENT DEFENSE EXPENDITURES AS A PERCENTAGE OF TOTAL CENTRAL GOVERNMENT EXPENDITURES

	1961	1962	1963	1964	1965	1966	1967
Argentina	16.5	17.9	16.0	14.8	12.9	11.9	11.3
Bolivia	16.2	14.7	9.8	10.3	19.6	14.3	14.4
Brazil	9.7	9.2	10.2	15.2	15.9	16.9	16.9
Chile	11.7	9.3	9.4	9.0	7.4	7.9	7.1
Colombia	12.9	15.4	16.5	18.0	18.6	16.4	15.5
Costa Rica	1.8	1.7	1.6	2.1	1.9	2.1	2.0
Dominican Republic	22.8	19.6	17.9	16.7	18.0	17.0	15.0
Ecuador	11.3	10.6	9.2	9.7	10.2	10.3	8.0
El Salvador	7.2	10.9	9.8	9.4	7.8	8.6	8.1
Guatemala	9.6	8.6	9.7	10.5	10.8	10.9	10.2
Honduras	12.0	11.5	11.0	10.1	9.9	9.6	8.6
Mexico	9.3	9.2	8.8	8.6	7.6	8.7	8.2
Nicaragua	15.9	13.2	12.9	10.6	11.8	10.4	10.1
Panama	.7	.7	.6	.7	.7	.5	.7
Paraguay	27.0	26.5	29.6	27.4	23.4	24.8	20.2
Peru	17.7	14.4	14.1	13.3	12.3	10.5	15.3
Uruguay	6.6	6.1	8.7	8.6	12.9	10.9	12.9
Venezuela	8.5	10.8	11.3	9.8	10.1	10.2	10.4
Latin America (average, 18 Republics)	11.5	11.3	11.3	12.9	12.4	12.4	12.4
Central America (average, 5 CAEC Republics)	8.4	8.7	8.5	8.2	8.0	8.1	7.6

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