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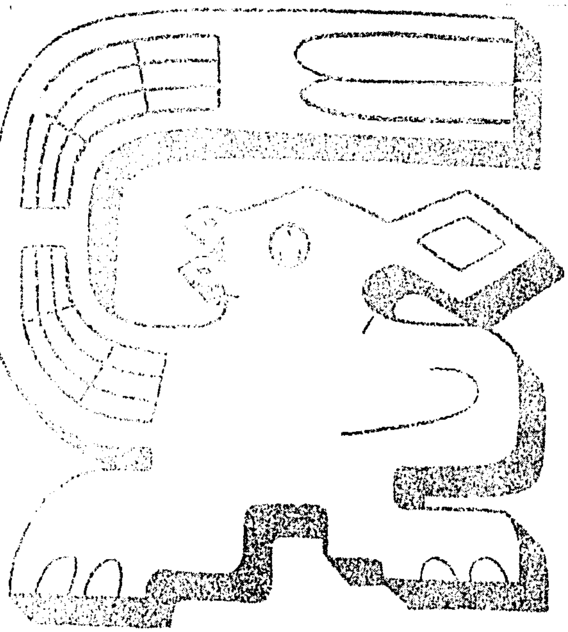

Political Factors in Latin American Economic Development

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Among other things, the concept of political development implies that government is capable of generating rapid economic growth, and adequate to cope with the consequences of that growth. In fact, in much of the discussion about the problems of development, the political component seems to concern little else but the effectiveness of government as an agent of economic and social change.[1]

It is not surprising that political development is so often understood in a purely instrumental sense. For most people, the very distinction between "developed" and "underdeveloped" nations is cast in terms of material productivity. Most theories of "modernization" refer to changes in economy and society, and deal peripherally with the realization of political values. Furthermore, many of the more influential students of political development have considered political change to be very much contingent on changes in the economy and in social institutions and values.[2]

[1] See Robert A. Packenham, "Political Development Doctrines in the American Foreign Aid Program," *World Politics*, XVIII, (January, 1966), p. 213.
[2] A few of the more pertinent examples are: Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *Ameri-*

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Before going on, it might be noted that the concept of political development need not be purely instrumental. One can regard "politics" as something other than a mechanism for promoting or inhibiting economic and social change. There can be a theory of political development in its own right, one which concerns the way in which a people converts the whimsical use of coercive power into the legal guarantees of social predictability, the balance struck between freedom and order in a particular society, the capacity of leaders to coordinate the diverse objectives of the members of a society, rather than solving the problem of diversity by eliminating dissent.[3]

For the moment, however, we are dealing with political development in a purely instrumental sense, and considering only the capacities and limitations of Latin American governmental institutions as agents of economic growth. We will be seeking to identify several political factors that are critical for any theory of Latin American economic development.

We will be using a most delimited definition of politics. We are not concerned with "politics" as involving all the relationships of power, influence and authority that exist in a society, but only with those that affect the allocation of that reservoir of powers and resources that inheres in the institution of the Latin American nation-state. We are concerned with only one social institution among the many that make up contemporary Latin American society.

Economic development theory is very often phrased as advice to public authorities. The strictures of classic economic liberalism were not addressed to entrepreneurs. The propitious behavior of consumers and producers was assumed if government acted to remove restraints on the free play of market forces. Similarly, Keynsian analysis presumed that a redefinition of government's capacity to derive resources from the society and spend them for public purposes would restore the dynamism of productive activity in the private sector. Modern "structuralist" approaches to the economic develop-

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can Political Science Review, LIII, (March, 1959), pp. 69-105; Karl W. Deutsch, "Social Mobilization and Political Development," *American Political Science Review*, LV, (September, 1961), pp. 493-514; Lucian Pye, *Politics, Personality and Nation-Building* (New Haven: Yale University Press, 1962). See also, Robert A. Packenham, "Approaches to the Study of Political Development," *World Politics*, XVII, (October, 1964), pp. 108-120.

[3] See, for example, Bernard Crick, *In Defense of Politics* (Baltimore: Penguin Books, 1964); William McCord, *The Springtime of Freedom* (New York: Oxford University Press, 1965); Neil Riemer, "Democratic Theory and the New States: the Dilemma of Transition" (Paper presented to the American Political Science Association, Chicago, September, 1964, mimeo.) See also, Robert A. Packenham, "Approaches to the Study of Political Development," *op. cit.*

ment of Latin America, while more chary about presuming the economic rationality of the non-public economic actors, nonetheless direct the bulk of their recommendations to public authorities. It is the state's responsibility to stimulate major changes in the structure of economic institutions—one is almost tempted to say, to remove the restraints to trade implicit in the rigidities of archaic social structures and institutions.[4] Increasingly, it is recognized that structural change is not sufficient for economic growth, but that government must also "invest in human resources," must develop the skills and induce the motivations requisite for dynamic private economic action.[5]

From the point of view of developmental economics, the problem that is most often posed for the political analyst is how the "political obstacles" to economic growth may be overcome. Given the apparent commitment of Latin American leaders to the goal of economic development, and given our knowledge of how economic growth may be generated, why are Latin American governments so often unwilling or unable to take the measures that are so obviously in their own self-interest?

It would seem fair to define such "political obstacles" as the factors in the political system which prevent governments from adopting and implementing those public policies deemed requisite to the realization of the relationships of production and exchange specified in the development theory under consideration. Given this perspective on the problem, three factors that must be considered in assessing such political obstacles to economic growth become immediately apparent.

First, politics is not by definition an obstacle. It is rather a process by which a society decides on the use of the powers and resources which are made available to governmental institutions. From this point of view, the recommendations of economic development theory constitute one set of demands on decision-makers. They are in no essential respect different from all other ideologies or interests that are articulated in the political process. From this perspective, the political problem of economic development is simply that Latin American decision-makers find other ideologies or interests more compelling than those of development theory, or that their responsiveness to development theory is conditioned by their need to account

[4] On the structuralist critique of earlier Keynsian, or "monetarist," approaches to Latin American economic development, see the contributions by Roberto de Oliveria Campos, David Felix, and Joseph Grunwald in A. O. Hirschman, (ed.), *Latin American Issues: Essays and Comments* (New York: Twentieth Century Fund, 1961), pp. 69-124; Raul Prebisch, "Economic Development or Monetary Stability: The False Dilemma," *Economic Bulletin for Latin America*, VI, (March, 1961), pp. 1, 23-24.

[5] For one leading argument to this effect, see Theodore Schultz, *Transforming Traditional Agriculture* (New Haven: Yale University Press, 1964).

for other interests and ideologies in the political process. Seen in this way, the problem of "overcoming" political obstacles to development becomes a purely tactical matter. Political development becomes a question of so mobilizing power that governments will adopt and effect desired policies.

Second, resistance to the adoption of certain policy alternatives may reflect commitment to theories of economic development adopted in an earlier period. With but very few exceptions,[9] Latin Americans do not disagree about *whether* economic development should be achieved, but *how* economic growth should be wrought. Latin America cannot be understood as just emerging from a "predevelopmental" stage. Many contemporary bottlenecks to further development reflect the unanticipated consequences of development strategies adopted in a previous age. For example, the problem of landholding concentration in many parts of Latin America is in good measure the result of liberal economic policies adopted in the late nineteenth century, which assumed that agricultural growth could most effectively be stimulated by encouraging the apparent entrepreneurs, or at least, the more "materially aggressive" in the society, through generous grants of land from the public domain. Similarly, the phenomenon of monoculture, the strains wrought by hyperdependence on world trade, is not unrelated to the propositions concerning economic development contained in classical international trade theory.

Although some may find it strange to consider the liberal policies of the nineteenth century Latin American state as a strategy of economic growth, that is precisely what they were. Latin America could enter the modern world by linking itself to the forces of change at work in Western Europe and North America. Production for international markets would provide Latin America with the wherewithal of change. Foreign investors would provide the resources and techniques to put Latin America's untapped resources to work for higher productivity. It should be recalled that liberal economics was validated, for the nineteenth century Latin American mind, not only by historic experience, but by "economic science" as well. Porfirio Díaz's cadre of *científicos* were perhaps not so different from the "development experts" of the contemporary world.

Third, the problem of "resistance to change" may or may not be peculiarly attributable to political authorities. The case can be made that government in Latin America has not been particularly an instrument of those

[9] See William S. Stokes, "Cultural Anti-Americanism in Latin America," in George L. Anderson, (ed.), *Issues and Conflicts* (Lawrence: University of Kansas Press, 1959), pp. 315-38.

most resistant to change, but rather that it has been the peculiar outlet for those most attuned to change and modernization. For example, Merle Kling has argued that political instability in Latin America may be attributed to the vigorous competition for control of government among those mobile individuals who could not find fulfillment of their aspirations in the more rigidly structured institutions of economy and society.[7]

It is conventionally assumed that political power in Latin America has predominately been used to reinforce the rigidities of existing social and economic institutions. However, it may be that the problem of government in Latin America is less that it has been used as an instrument of resistance to change, and more that it has been resisted in its efforts to induce change. It may be that the Latin American state has been an inadequate vehicle of social and economic transformation in an environment where the aspiration to change of political leaders has not been shared by those whose primary life commitments are located in other social systems and institutions. After all, one of the primary problems of analyzing Latin American politics is to explain the discrepancy between the agenda of state action, the formal constitutional, legislative, and administrative equipment of government, and the social and economic product of government. Most Latin American nations have formally available to them a battery of powers and resources that, if enforced, would represent a total economic and social transformation. However, most of these programs of state action are never carried into effect, or, if they are implemented, they affect but a small sector of the total society. One can argue that such programs are cynically contrived from the outset, that they are mere symbolic gestures to satisfy the forces of discontent. However, it is an equally plausible hypothesis that in many cases the difficulty does not lie with the intention of governments, but with their capacity, their ability to penetrate into society and to make their programs effective in the territory over which they formally exercise jurisdiction.

The Legitimacy of the Economic Role of the State

We will not inquire further into the motivations of Latin American political leaders. Let us assume, instead, the condition that they are committed to the idea of economic development, and anxious to achieve it. The question

[7] Merle Kling, "Toward a Theory of Power and Political Instability in Latin America," *Western Political Quarterly*, IX, (March, 1956). This also would appear to be the argument of John Johnson, *Political Change in Latin America: The Emergence of the Middle Sectors* (Stanford: Stanford University Press, 1958). However, Johnson sees the emergence of this highly politicized, modernizing group, as a relatively recent

then becomes one of assessing the capabilities of the governmental institutions over which they preside as instruments of effecting economic development. From Seymour Martin Lipset, we will borrow two variables for the analysis of political development, and adapt them to our purposes. These are "legitimacy," the belief that existing political institutions are the most appropriate to the society, and "effectiveness," the extent to which governmental functions are satisfactorily performed in the eyes of the population.[8]

Perhaps no problem has more perplexed modern man than that of defining the legitimate role of government as a participant in economic life. The great ideological struggles of the nineteenth and twentieth centuries were centrally concerned with defining and establishing the appropriate roles of the private and public sectors in economic life, and in economic growth. The issues at stake included the way in which the state derives resources from the society (taxation, nationalization, expropriation); the economic functions that it is appropriate for the state to perform (ownership of producive enterprise); the use of the state's coercive and regulatory powers in reinforcing the institutions of the private sector (legal protection of property and contract); and the extent to which the state should be required to operate according to the norms of the economic system (may the state use its monopoly of coercive power to acquire capital and manpower, or must it contract for these in the marketplace?)

It is interesting to note that, despite the differences in their political economic traditions and ideological commitments, most Western nations (including Latin America) seem to have very similar conventions concerning the legitimate extent of the state's economic role. For example, a comparison of the proportion of gross national product consumed by general government in Western nations provides one rough index of the economic functions assigned to government, and the extent to which these functions are to be performed. Noteworthy is the very small range of difference between the supposedly "welfare state" and "free enterprise" systems, and between the "advanced industrial" and "underdeveloped" societies.

To remark on the similarity of the economic role of the state in Latin America and other Western nations does not establish the legitimate place of government as an agent of economic growth; rather, it raises the ques-

phenomenon. The argument could also be made that the gravitation of the "most modern" in Latin American life toward governmental institutions has been a persistent phenomenon throughout the independence period.

[8] Seymour Martin Lipset, *Political Man* (Garden City, N. Y.: Doubleday & Co., Inc., 1960), ch. 3.

General Government as Percent of Gross National Product

(About 1963)

Latin America		*Other Western Nations*	
Argentina	16	Canada	19
Brazil	14	France	14
Chile	10	Italy	16
Colombia	7	Norway	16
Costa Rica	12	Spain	8
Dominican Republic	20	United Kingdom	17
Ecuador	13	United States	19
El Salvador	8		
Guatemala	7		
Honduras	9		
Panama	13		
Paraguay	7		
Peru	11		
Venezuela	15		

Source: United Nations, Statistical Yearbook: 1964. (New York: United Nations, 1965).

tion. The above comparison can lead to three different conclusions. (1) The present level of public economic activity in Latin America is appropriate to economic development along Western lines. The issue is not one of the scope of government's role, but of the efficiency and effectiveness with which that role is performed. (2) The present scale of government economic activity in Latin America is somewhat lower than that which characterizes other Western nations. Given the proportion of government resources consumed in maintenance of armed forces and nonproductive bureaucracy, it is imperative to expand the economic role of the state so that it is really commensurate with the practice of the West. (3) The agenda of state economic activity characteristic of the West is an inappropriate guide to the role which the state must perform in economic and social change in Latin America.

The problem of the legitimate scope and scale of government's role in the process of economic change is a matter of serious ideological controversy throughout Latin America. To interpret this as a conflict between liberal "free enterprise" and socialist or communist models of growth would be, at this point, most archaic. The experience of nations has gone too far for that controversy to be particularly meaningful. The contemporary issue of the role of the state in economic change in Latin America is far more subtle. The following typology of approaches to the role of the state in economic development may not be totally adequate, but it would seem to indicate some of the major dimensions of the issue as it has appeared to Latin Americans during the past generation. The distinction is based on the institutions and processes which are considered most critical for economic growth, and on the perception of the "community" which is envisioned when the process of economic growth is considered. We differentiate between the "modern community," characterized by the application of technology, rationalization of production and exchange within the context of a money economy, and the "traditional community," characterized by subsistence agriculture or the lack of skills pertinent to full involvement in technological or commercial activity.[9]

The Conventional Approach. Economic development is realized by the continued elaboration and vitality of the institutions and processes characteristic of the modern community. The existing productive capacity of this modern sector is the vehicle for further economic development. The role of government is to support, stimulate, and protect industry, commerce and commercial agriculture. The case is hardly one for *laissez-faire.* Rather, government must actively work to establish a "favorable investment climate," and to provide appropriate, in some cases extensive, services within the modern sector. It is quite appropriate for government to sponsor credit policies favorable to investment, to provide the infrastructure services requisite for development, perhaps even to engage in productive industry, particularly when this is a precondition for related private investment. Some measure of social reform is appropriate to this approach, but it must be demonstrated that such reform will pay off in added productivity. It is not self-justifying. Government need not self-consciously concern itself with the problems of bringing change to the community not yet assimilated into the modern sector of society. Gradually, the fruits of productivity will "filter down." Secular forces will "draw" the peasant farmer either to the city, as a potential participant in the industrial revolution, or toward market agriculture. However, it is also the responsibility of government to "protect" the modern sector against ideologies or demands that are "irresponsible," that jeopardize or threaten the forces working toward capital formation and productive investment. Examples of this approach are, of course,

[9] An example of the distinction would be the different evaluations that have been made of the Bolivian agrarian reform. From the point of view of the "modern community," the reform was "counter-developmental," for it did not result in an increase of agricultural production for the monetarized sector of the economy. However, others argue that the reform was "developmental," for the Bolivian *campesino* now enjoys a higher level of living within the context of subsistence agriculture.

to be found in the statements of many "modern sector" groups in Latin America, and in the policies of many governments. The approach also characterized United States and World Bank development policy at least until the late 1950's. An interesting specific illustration is Laughlin Currie's *Operación Colombia.*[10]

The Democratic Reform Approach. The primary distinction between the conventional and the democratic reform approaches lies in the notion of the community to be taken into account. While the former centers its interest on the health and vitality of the modern sector, the latter is particularly concerned about the discrepancy between the way of life in the modern and the traditional sector. The jurisdictional unit of the "nation" is the relevant community to be taken into account. However, the developmental role of the state is not too different in the two approaches. What is at issue for the democratic reformer is less a redefinition of governmental functions, and more an intensification of its product. The problem is for government to assert actively its powers to "universalize" the institutions, processes, and services characteristic of the modern sector. No radical departure from the agenda of public action that characterizes the liberal societies of the West is anticipated. Most of the programs of public action are consensually accepted in all Western societies. The state will attempt to provide to all its citizens basic education, public health and sanitation services, transport, communications and power. Even agrarian reform in democratic reform systems can hardly be seen as a radical program. Generally, what is involved is the effective universalization of the institution of private property in land—the family farm—which is certainly compatible with the basic liberal vision of how economic growth is derived. Examples of the democratic reform approach of course include the movements led by such figures as Rómulo Betancourt and Raúl Leoni of Venezuela, Fernando Belaunde Terry of Peru and José Figueres of Costa Rica. Although the Christian Democratic developmental philosophy is in some measure distinctive, the movement led by Eduardo Frei of Chile properly belongs in this category.

The Revolutionary Approach. In the conventional approach, the modern sector, with its complex equipment of property, contract, markets, fiscal intermediaries, and so on, is the part of the nation most attuned to modernization and growth. For the "revolutionary," the existing modern sector is

[10] Laughlin Currie, *Operation Colombia: A National Economic and Social Program* (Bogota, May, 1961), mimeo.

not the springboard for development, rather, it is precisely the obstacle to development. The modern sector serves not to generate productivity, but to exploit the productivity of the rest of the society. The institutions of property, exchange, and capital accumulation are not the keys to the developmental process, but rather the instruments by which a small oligarchy retains control of the wealth of the society, and prevents its diffusion or expansion. The developmental role of government should be to use its resources of power to break the growth-inhibiting grip of established institutions, and mobilize the entire society for a massive total effort of growth and change. Such propositions as the above may readily be distilled from the speeches of Fidel Castro and other Cuban revolutionaries in the period after January 1, 1958. They may also be found frequently in the literature of radical dissent throughout Latin America.

It is, of course, the task of economic rather than political analysis to argue the relative advantages and disadvantages of each of these models from the point of view of economic growth, though it must be noted that any theory of growth that excludes some productive sector from the agenda of change must find some way of compensating for the omission. The conventional approach really envisions no appropriate solution to the problem of the lagging growth of the more traditional agrarian sector, and the revolutionary approach must compensate for the fact that it frequently excludes foreign private investment as an appropriate instrument of development.

However, the more pertinent political question concerns the developmental consequences of failure to legitimate some model of the appropriate distribution of economic functions between the private and public sectors. There are very few Latin American nations where one can say with confidence that political conflict will have more to do with incremental adjustments in an established design for development than reconsideration of the total strategy of change. In descending order of confidence, one could probably say that the developmental order is to some extent legitimatized only in Mexico, Costa Rica, Bolivia, Uruguay, Venezuela, Chile, Colombia and El Salvador, and many readers will feel distinctly uneasy about many, if not most, of these entries.

However, despite the continued saliency of ideological argument, it should be noted that the greatest part of political controversy in most Latin American nations really concerns the extent to which the conventional and the democratic reform designs for change should be realized. The debate is increasingly pragmatic and incremental, rather than dogmatic and totalistic.

The Capacity of the State to Effect Economic Change

The problem of consensus on the relative roles to be performed by various social institutions, including the state, does not resolve the political problem of development. Also at issue is the capacity of the Latin American state to make good on the particular development tasks which it has explicitly set for itself. One prime problem in Latin American politics is to explain the discrepancy between formal intention and concrete realization, between enactment and implementation. Explanations of this phenomenon range from the nature of the Hispanic cultural heritage[11] to the defects of public administration in the region.[12] For the moment, we will concentrate on one factor involved in this problem, the contingency of public action on relevant performance by actors in other social institutions.

Most of the public policy instruments characteristic of Western societies presume a related and relevant response on the part of the private sector. Generally, they presuppose an intention to act or perform in a certain way which the state directs, supplements or supports. The effectiveness of such public policy instruments is totally contingent on the degree to which private parties will respond in ways anticipated by the presuppositions of the policy.

For example, most of the fiscal tools which are central policy instruments of Western societies pretend to do little more than to change the conditions of the market situation. They presume the economic rationality of actors in the private sector. Hence, both protective tariff policies and free trade strategies presume that commercial and industrial groups will take advantage of the new market conditions created by state action. Similarly, the mechanisms by which the state regulates the conditions of credit in a society presume that private economic activity will respond in certain ways to the actions taken. The ineffectiveness of such Western devices in the Latin American setting has much to do with the limited scope of the monetarized, "modern" sector of the private economy, as well as the propensity of those involved in that economy to act on values other than those of economic rationality. For example, liberalized credit may lead to a higher propensity to invest in productive activity, but it may also result in expanded investment in consumer goods or real estate for speculation purposes. In short, the effectiveness of such policy instruments derived from the Western ex-

[11] William S. Stokes, *Latin American Politics* (New York: Thomas Y. Crowell and Co., 1958).

[12] Herbert S. Emmerich, "Administrative Roadblocks to Coordinated Development," (Paper submitted to the Expert Working Group on Social Aspects of Economic Development in Latin America, Mexico City, December, 1960), mimeo.

perience, imitated in Latin America by virtue of their successful implementation in Western Europe and North America, is limited by the size of the private entrepreneurial community attuned to the ideas of those who saw such policy instruments as appropriate means to giving impetus to economic development.

Much the same thing can be said of many programs of social reform in Latin America. Again, many Latin American nations have quite advanced codes of labor relations. The difficulty is that they effectively apply to only a small part of the working force. However, the whole Western institutional tradition in such matters presumes the existence of essentially non-governmental mechanisms for apprising the worker of his rights, and providing him with the means of legal redress.

All of this is, of course, anticipated by the "structuralist" critique of reliance on essentially Western policy instruments in the economic development of Latin America. In structuralist development theory, the rigidities inherent in existing institutions (the class system, the *latifundia*) inhibit the full utilization of the productive potential of the society. However, in its pure form, the structuralist argument is subject to the same objection as the above. To call upon the state to use its powers to break the existing institutional obstacles to change presupposes that in the absence of institutional restraints, people would act economically in ways compatible with development policy expectations. Most structuralist arguments are far more sophisticated than this. They insist that the state must not only undo structural rigidities, but also use its powers to prepare the people thus affected for appropriate developmental activity. For example, the argument for integral agrarian reform in Latin America presupposes that the state will not only reform the land tenure system, but will provide the beneficiaries of reform with the transport, credit, educational, technical assistance, marketing, and other services essential to their full incorporation into the modern economy. The point is, of course, that these are exactly the same policy instruments that earlier theories of economic development believed appropriate with regard to the state's role in stimulating productivity through the existing modern sector of the economy. They are fundamentally policy ideas derived from the Western experience, and they are basically contingent for their effectiveness on the relevance of the response to them by private individuals.

This is certainly not to argue that the package of public policy instruments most characteristic of Western societies is inappropriate to the generation of change in Latin America. The conclusion is far more obvious. Quite clearly, if it is presumed that the purpose of the state is to induce change in the private sectors of society, there will be a gap between the intention of policy and the private response that the policy presupposes for effectiveness. This is to say no more than that the Western state stimulates change, rather than imposes it by force. Frustration with growth-generating programs of Latin American nations often comes far too quickly. Sometimes, the supposed policy failures appear quite different if one merely considers a longer time span. After all, the present industrial vitality of more than a few Latin American nations has a great deal to do with the "import substitution" policies adopted in the wartime and immediate postwar periods.

Changes in the Economic Role of the Latin American State

Let us examine the major patterns of public policy in Latin America since World War II to see if there are any important general trends in the developmental role of government in the region. In the limited space available, we can of course, do little more than provide a sketch of some of the more suggestive indicators.[13]

For the region as a whole, several gross measures indicate that the role of government has remained relatively consistent throughout the postwar period. In fact, if we examine the proportion of gross domestic product devoted to general government, we find that the economic role of the state did not expand as rapidly as the economy generally in the postwar period.

Rates of Annual Growth of GDP
by Sector of the Economy

	1936-40/1955-60	*1945-49/1955-60*
Agriculture	2.8	3.5
Minerals	6.6	6.9
Industry	6.2	5.9
Construction	5.8	4.8
Transport and Communication	5.8	5.7
Trade and Finance	4.8	4.9
Government	4.4	4.0
Other Services	3.9	4.3
Total	4.5	4.8

Source: United Nations, Economic Commission for Latin America, *The Economic Development of Latin America in the Postwar Period* (New York: United Nations, 1964), p. 23.

[13] This subject is dealt with in more detail in the author's forthcoming *Politics and Economic Change in Latin America: The Governing of Restless Nations.*

Of course, this is not an adequate index of governmental economic initiative as a whole. Certainly, a good part of postwar economic activity in such fields as construction, transport and communication, and finance, was generated by public agencies. Nonetheless, a similar impression of continuity in government's developmental role is revealed in an examination of the public and private origin of capital formation in the region.

Gross Capital Formation

(as percent of GDP)

	1946-1949	*1950-1954*	*1955-1961*
Private Sector	13.6	11.4	10.8
Public Sector	5.4	5.2	5.2
Total	18.9	17.6	17.2

Source: United Nations, Economic Commission for Latin America, *The Economic Development of Latin America in the Postwar Period*, p. 33.

Of course, when dealing with such indices, the regional norm is apt to be most deceptive, and it should be noted that the role of government in the economy as a whole expanded considerably faster than the average in such countries as Chile, Colombia, most Central American nations, Mexico and Venezuela, while public capital formation was considerably above the regional norm in Argentina, Chile, Brazil, Mexico and Venezuela.

When one examines the policy agenda of government in the perspective of the region as a whole, continuity with the past is also apparent. The exciting innovations and experiments of the postwar period—as in Bolivia, Cuba, and Venezuela—are clearly the exceptions and, in all cases except Cuba, these experiments have not implied a total redefinition of the policy format of government. They have rather concerned quite specific objectives. The primary preoccupation of government with techniques of economic regulation and stimulation devised in the depression and wartime periods, and with the universalization of public services to which most Latin American states had been dedicated for several decades, continued as the dominant concerns of policy-makers during the postwar generation.

Thus, in most Latin American nations, a great part of development policy debate in the past generation has involved the use of such relatively conventional policy instruments as currency and taxation policy, exchange rate manipulation, tariff policy, and the like. Policy revolution in Latin America has often connoted little more than the redefinition of this "package" of policy instruments (as in the case of Peru in the late 1940's, when a complex regulatory system was replaced by a generally free trade policy), or the efforts of smaller or less developed nations to catch up with the policy format characteristic of most Latin American states. Hence, the Guatemalan revolution of 1944 involved little more than the establishment of those instruments of public policy, such as development banks, rudimentary social security, labor relations, and income tax systems, which were by that time characteristic of most Latin American nations. The reform was radical only by Guatemalan standards.

Similarly, when stripped of rhetoric, a good part of the development policy controversy in Latin America over the past generation has primarily concerned demands that the state fulfill commitments to provide basic public services that it has long formally accepted, and that are characteristically accepted as appropriate public responsibilities almost everywhere in the world. Many of the dynamic, "new" programs of development in Latin America have in fact represented mainly a recommitment to the universalization of such relatively non-controversial public functions as elementary education, health and sanitary services, water supply systems, and the basic infrastructure facilities of roads, ports, communications and public power.

Although much theoretical and ideological attention was given to the role of the Latin American state in direct, productive enterprise in the postwar period, the actual practice of governments in the region indicates that this has been a peripheral, rather than a central theme of developmental activity on the part of the state. Nationalization of foreign or domestic private firms has characteristically been used for exceptional or situational objectives by relatively few nations, and, except in the case of Cuba, has not implied a general policy commitment on the part of the state. Similarly, the early postwar enthusiasm for state investment in basic industries has had a specific and relatively delimited impact. While considerable state investment did occur in such fields as the integrated steel industry, cement and petroleum development in the immediate postwar period, there has been a marked leveling off of enthusiasm for such activity in the past decade. The public industrial sector is an accepted part of the institutional equipment of development in several Latin American countries, but there has been little in the way of a trend toward further expansion of this sector in recent years into new areas of industrial activity.

In fact, it would appear that the most interesting and characteristic tendency in policy innovation in Latin America in the postwar period has been largely overlooked in ideological and theoretical discourse. While there has been no profound policy revolution in the area, at the same time, the period has been one of the discovery of adaptive mechanisms for coping with some of the more acute political and economic problems of the area without radical change in the economic role of the state. Hence, instead of nationalization or public industrial development, there is a growing tendency toward various techniques of regulation, taxation, co-ownership, and mixed enterprise. Although some of these techniques antedate the postwar generation (such as the laws limiting the employment of foreign nationals of the 1930's), the present period has been one of marked ingenuity in devising new policy instruments for moving the existing institutional structure of the society toward developmental objectives. In the early postwar period, the more important experiments were in the field of taxation, particularly the programs of such nations as Venezuela and Costa Rica in using tax proceeds on foreign enterprise for developmental objectives. In the last few years, there is an apparent, though still incipient, tendency toward experimentation with new forms of public and private "capital mixing" in developmental functions. The Chilean program with regard to the copper industry is the most apparent example, though there are many others.

In terms of the policy agenda of the Western nation-state, the current interest in agrarian reform in the Latin American region may seem to presuppose a somewhat radical departure from the conventional role of the state in economic activity. However, when one examines closely the specific public actions that are in effect or contemplated in most Latin American nations in the name of agrarian reform, one notes that the greater part of them have long-established precedents in Hispanic American jurisprudence, or in the accepted practice of Western states. While some questions of expropriation and compensation for private properties affected by reform do raise issues concerning the legitimate economic role of the state, many more are anticipated in Hispanic jurisprudence, or involve negotiation concerning the precise terms of the settlement between the state and private parties, with both sides accepting the legitimacy of state action. And although land redistribution is the most dramatic aspect of agrarian reform, in practice, equally important objectives have been the rational utilization of the public domain and the enhancement of public services to the agricultural community—education, credit, cooperative organizations, marketing services, and the like. In these fields, the question is less one of a radical redefinition of the economic role of the state, and more an issue of the extension of services, conventionally provided to one part of the population, to a broader community.

Conclusions

We have specified two factors that seem to delimit the capacity of the state to act as an agent of economic change in Latin America. First, there are the conventions of liberal and Hispanic society that define the legitimate role of government as a participant in economic life. Closely related to this is the problem that the policy instruments appropriate to Western society presuppose a relevant complimentary response to public initiatives on the part of private parties. Both appear as different aspects of a common phenomenon: the commitment of individuals and groups to social institutions other than the state, government and the nation.

If these are indeed "political obstacles" to economic development in Latin America, the question then turns to the appropriate means for overcoming these obstacles—assuming we are dealing with the problem of government purely in an instrumental sense, as a vehicle of economic and social change.

One response to the argument we have presented is quite predictable. Given the apparent inadequacy of the policy agenda of the Western model of the state in meeting the developmental needs of Latin America, what is required is a radical redefinition of the economic role of the state. The state must be empowered to break the institutional rigidities that hamper growth, and to mobilize the society for the purposes of rapid change. Despite the prominence and persistence of this prescription in ideological discourse in the region, it is most exceptional in the political economic practice of Latin America. As we have noted, Latin America is most loathe to depart from the policy format of the West, and not only that, but where "real revolutions" have occurred in Latin America (Bolivia, Mexico), they have, with maturity, gradually recommitted themselves to the basic Western conventions concerning the economic role of the state once specific unconventional reforms were carried out. The revolutionary has a ready explanation of this phenomenon. Latin America remains committed to a limited, pluralistic conception of the state because it is in the interest of a small elite which controls all the major institutions of the society. Another explanation is possible. It may be that the bulk of opinion in Latin America remains unpersuaded that radical revolution is either workable or acceptable as a solution to the problem of economic development, that it seeks economic change without the destruction of significant values that inhere in the going concern.

The revolutionary position is, after all, endorsed by only a limited minority. For most Latin Americans, the problem is not with the policy agenda of the Western state, but with the fact that it has been imperfectly realized. Despite the limitations inherent in its commitment to pluralistic society, the Western state is hardly an unworthy instrument of change. It contains a rich diversity of possibilities for public action, most of which have been unexploited, or imperfectly implemented in Latin America. Furthermore, the policy agenda of the Western state is not a fixed quantity. Such policy instruments as the comprehensive river basin authority, or the common market, have become "available" to the Western state only within the past thirty years. It might be noted that part of the frustration with the performance of Latin American government is due to constantly changing expectations concerning the role of the state in society. Just as the economic development of Latin America is judged against a constantly changing standard of material prosperity, so too is the performance of Latin American government related to the constant elaboration and perfection of the techniques of Western statecraft. In any event, an increasingly compelling trend in Latin American developmental thought holds that desired change might be wrought if the state would effectively fulfill the commitments to economy and society that characterize virtually all Western nations, and adapt the policy instruments appropriate to the Western state to the peculiar needs of Latin America.

There is one additional aspect of this position that deserves to be noted. It is often argued that the developmental misfortunes of Latin America are due to a peculiarly undesirable combination of the institutions of Hispanic culture and Western liberalism—as Claudio Veliz puts it, Latin America is to be characterized as a "feudal structure with a capitalist façade." There is another side to this matter, which may be becoming increasingly apparent to Latin Americans. It may be that this combination of cultural influences offers an unusual richness of possible policy adaptations. A number of writers have argued that the uniqueness of the Mexican Revolution is due to an unusual blending of the institutions of Hispanic corporatism and Western liberalism. In several contemporary agrarian reform programs (Chile, Colombia), one notes an interesting synthesis of the precedents of Hispanic property law and Northern European and North American agricultural institutions and practices—co-operation, extension services, and the like.

Finally, it should be noted the commitment to the policy agenda of the Western state presupposes a related commitment to political development *per se*. Given the diversity of functions of the Western state in industrialized society, and the limited resources available to Latin American governments, the issue becomes one of specifying the *extent* to which these various functions shall be fulfilled. On this, honest men may differ. Once the developmental design of the West is accepted as legitimate, the question is not one of *whether* the state should assist directly productive investment through infrastructure investment or invest in human resources through education and popular reform measures. Rather, these become questions of emphasis, of the appropriate allocation of scarce resources. Only to a limited extent can these questions be answered through development theory, for the issue is a dynamic one, contingent on the achievements and imbalances of progress in the prior period. The optimum, and always tentative, resolution of the issue depends largely on the capacity of the political process to reflect the demands for state action, to condition the disadvantage to some sectors caused by the development of others, to supplement and perfect initiatives to change occurring in various sectors of the society, and to coordinate developmental initiatives in various sectors of the society. At this point, political development can no longer be seen purely in an instrumental sense. It becomes essential to think in terms of the intentional creation and perfection of those processes and instruments through which the policymaker may be apprised of what is in fact at issue in the society, and compelled to take account of the diverse requirements for public action involved in the pluralistic design for change.

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