

An Evaluation of the "Alliance  
for Progress" as a Programme of  
Planned Social and Economic  
Change in Latin America

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(i)

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Finally, the authour extends his encouragement to the Latin American people in their struggle for a better life.

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Abstract

In this thesis an attempt is made to use a Marxian conflict model of socio-economic underdevelopment to 1) evaluate the Alliance for Progress as a program of planned social change in Latin America and 2) delineate what socio-economic forces were operative in Latin America which may have led to the "success" or "failure" of the Alliance. Use was made of correlation coefficients and descriptive data in this evaluation and delineation process.

The descriptive data, given its shortcomings, seemed to indicate a lack of success by the Alliance. The correlation coefficients and other descriptive data indicated a negative relationship between the economic growth rate of Latin America and 1) Latin America's trade deficit with the United States, 2) the total American direct investment in Latin America, 3) the private capital outflow from the Latin American nations to the United States, and 4) the foreign aid inflow from the United States to Latin America. These negative relationships were quite low in 1961 (at the start of the Alliance) but were quite high in 1967 (after six years of the Alliance).

The data appear to indicate that Latin America is being exploited economically by American corporations. In the very least, Latin America remains underdeveloped.

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## INTRODUCTION

There has been much written about the lack of social and economic development presently experienced by the countries of Latin America. American<sup>1</sup> social scientists<sup>2</sup> in particular have shown an extensive interest in the area of Latin American studies. The extensiveness of this interest is reflected by the quantity of books and articles that have been published concerning that area of the world. Ted Szulc, in introducing the recent Rockefeller Report on the Americas, has nicely captured the essence of this publishing phenomenon when he writes,

Latin America has been analyzed, studied, dissected, researched, surveyed, and X-rayed by the United States in the last quarter of a century as no other region of the world. It has been the object---if not always the ultimate beneficiary---of American policies and political philosophies spanning a period of nearly 150 years and ranging from James Monroe's Doctrine to Teddy Roosevelt's Manifest Destiny, from Franklin D. Roosevelt's Good Neighbor era to John F. Kennedy's Alliance for Progress.  
(1969: 5)

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<sup>1</sup> Unless otherwise stated "Latin America" will refer to the countries of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

<sup>2</sup> The terms "American," "America," etc. refers to the United States of America.

Much of what has been written, however, has done little to further one's knowledge and understanding about Latin American society. The apparent failures of previous approaches, in this regard, would tend to lead social scientists interested in the area of Latin American studies to take a fresh approach to any future research in that area. It is the stated intention of this thesis to attempt to do just that---to study and examine the lack of social and economic development of Latin America from a perspective which sharply departs from the "mainstream" of thinking on Latin America.

The prevailing perspectives for the investigation of underdevelopment<sup>3</sup> in general have been of the structural-functional, pluralistic, or psychological types. Although there are apparent differences amongst these perspectives, theories, and models they, nevertheless, have some underlying themes. The most obvious underlying theme is their rather clear acceptance of capitalism in general, and of capitalism as the road to development in particular. Such a path of development will be stiffly challenged throughout the thesis. Indeed, the thesis may clearly establish that capitalism is not only not the best road to development but also that capitalism may be precluding any meaningful development for Latin America.

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<sup>3</sup> The reader is referred to I.L. Horowitz(1966) for a full discussion of the terms "developing," "underdevelopment," etc. The latter will be used throughout this thesis.

The general short-comings of the mainstream perspectives have been dealt with, at length, elsewhere.<sup>4</sup> Thus, the thesis will not dwell upon these short-comings. It is sufficient at this point is to simply remind the reader as to what some of these short-comings are.

In the first place, the approaches associated with the works of Parsons, Merton, Hoselitz, Lipset, McClelland, and so on, have generally ignored the primary role of the political-economy in their discussions. This short-coming is a profound one if the political-economy lies at the centre of the various forces at work in human society. In the least one might expect some emphasis to be placed upon it in sociological theory and, in general, this emphasis is clearly lacking. Second of all, as Bodenheimer (1970: 106) notes, there is a decided tendency for structural-functionalism to be tautological and conservative. The conservative nature of structural-functionalism can be seen from the emphasis placed upon system maintenance and adaptation.

In the third place, the supposed holism of Parsons and Merton is clearly integrative in that the whole is understood only in relation to its parts rather than the whole being the initial stage of departure and subsequently explaining the parts and their functions for the whole. (Frank,

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<sup>4</sup> The reader is reminded of the works of Gouldner(1970), Blackburn(1969), Miliband(1969), Domhoff(1967), Mills(1956 and 1959), and Dahrendorf(1958) to name but a few.

1969b: 95-107)

A fourth general short-coming has been their insistence upon their scientific orientation rather than that orientation being based upon a particular ideology.<sup>5</sup> Such an insistence tends to limit their vision and, thus, their scope of investigation and analysis. Such a situation may lead to the ignoring of important forces at work in Latin American, or any other, society. It is for the just-outlined reasons that this thesis takes the position that a fundamentally alternative perspective may provide social science with a better comprehension of the machinations of society's socio-economic forces.

\* \* \*

It seems increasingly clear that people are living in an increasingly interdependent or interrelated world. What happens in one part of the globe may have important effects upon another part within a relatively short period of time. The age of isolationism largely seems to be a thing of the past. It therefore seems reasonable, indeed important, for people to more fully understand those events which may be geographically far-removed from them but which may profoundly affect their lives. An holistic investigation, such as in this thesis, may make a contribution in this regard.

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<sup>5</sup> For an excellent discussion of ideology masquerading as "objective" social science see David Horowitz (1970: 48-63).

If this growing interdependence amongst the world's nations, peoples, etc. is, indeed, an accurate assessment of the situation it then follows that the decisions and events of the developed nations may have deep effects on the underdeveloped countries and vice-versa. Thus, the decisions of American policy-makers in Washington may have profound effects upon Latin American society, and conversely. It is with these decisions, their effects and counter-effects, and their interrelations that this thesis will deal. The thesis will particularly examine the external events affecting the internal situations in Latin American countries.

This examination plans to concentrate on two areas of study; the first being the investigation of social and economic underdevelopment in Latin America generally, and the second focusing on a particular program of planned social change in Latin America. The program selected is the Alliance for Progress (ALPRO) initiated under the administration of President Kennedy in 1961. The evaluation of the ALPRO will cover the period of 1961 to 1967 inclusive.

The evaluation of the Alliance will be the first extensive one done from the particular perspective adopted in this thesis. The examination of Latin American underdevelopment as a whole will attempt to utilize sociological techniques used extensively in the discipline but only slightly in the area of underdeveloped nations. In this respect the thesis may make a substantial contribution.

Chapter One will present an overview of the literature on underdevelopment and development particularly in the areas most closely associated with sociology per se. This presentation of the "mainstream" perspectives and models will be done from a critical viewpoint in order to more clearly point out to the reader the general dissatisfaction the present author has with these approaches. An alternative model will then be discussed in the hope that it may yield better results.

Chapter Two will outline the history of Latin America since the coming of Spanish and Portuguese colonizers. The historical approach to sociology is all too often ignored by the discipline, often resulting in serious consequences for one's understanding of reality. It seems clear that in order to begin to comprehend and analyze the present one requires some basic knowledge about how and why the present came to be. C. Wright Mills (1959: 146) has expressed this view nicely in his remark---"All sociology worthy of the name is 'historical sociology.' It is, in Paul Sweezy's excellent phrase, an attempt to write the 'present as history.'"

Chapter Two will, furthermore, offer some pointed criticisms of the "dual-society" thesis as applied to Latin America. Such a discussion is entered into not only because that thesis is generally accepted to be true but also because

it is used to obscure the real reasons why Latin America remains underdeveloped. The final part of the chapter will offer some preliminary data as to the extent of American economic involvement in Latin America. Such a discussion at that stage will facilitate the reader's comprehension of the approach taken throughout the remainder of the thesis.

Chapter Three will present a brief discussion of American foreign policy vis-a-vis Latin America since the mid-19th century or so. That discussion will enable the reader to more completely understand the situation in which the Alliance was formulated. The other section of this chapter will offer an abbreviated discussion of the actual formulation and approval of the Alliance for Progress Charter.

Chapter Four will present the methodological approach taken by the thesis in quite specific detail . This discussion will include, amongst other things, the kinds of variables selected for analysis, why they were selected, the sources for obtaining data, the types of data and data analysis used, the formulation of hypotheses and subsequent statistical tests used, and so on.

Chapter Five will present and analyze the data collected and the relationships between the variables interpreted. The implications of the data will be fully discussed. Chapter Six will complete the thesis with a summary of the findings, the general conclusions reached, and the implications these

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have for future study and research in the area of Latin American studies.

## CHAPTER ONE

### DEVELOPMENT AND UNDERDEVELOPMENT: SOME PERSPECTIVES

The expressed intention of this chapter is to critically review some of the more important models and perspectives of underdevelopment and development. Subsequent to such a review will be the presentation of an alternative model of underdevelopment-development. This alternative model is assumed to more accurately reflect the socio-economic realities of Latin America.

#### I Mainstream Perspectives

The importance of utilizing a model or perspective which best reflects social reality cannot be overemphasized. This importance can be clearly seen when one makes decisions affecting people's lives based upon a certain perspective. At such a time the social scientist has a responsibility to the people whose lives may be affected. On the importance of utilizing a particular perspective Sweezy notes,

A would-be science which starts with a false or irrelevant conception of reality cannot yield very significant results, no matter how refined and sophisticated its methods may be. The answers a scientist gets depend, first and foremost, not on the methods he uses but on the questions he asks.

This is of course not to denigrate the import-

ance of methods and techniques of investigation. In the development of science they have probably played as important a role as basic theory. The two are in fact intimately interrelated: theory poses questions, methods are devised to answer them, the answers or lack of answers make more theory necessary, and so on ad infinitum.  
(1970 : 2)

Those models and perspectives which this thesis contends have a faulty conception of reality are those associated with Hoselitz, W. W. Rostow, Nash, Hagen, McClelland and Lipset. The model which the present authour regards as more accurately reflecting Latin American reality is founded upon Marxian premises<sup>1</sup> and has been closely associated with the model adopted and developed by Andre Gunder Frank (1969a).

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<sup>1</sup> By "Marxian premises" the present authour means the essential foundations of Marxist thought, i.e. dialectical and historical materialism, class struggle, the labour theory of surplus value, the laws of uneven and combined development, and the imperialist nature of capitalism. The following works serve as an accurate reflection of the present authour's view of Marxism: Cornforth(1971a; 1971b; 1971c), Marx and Engels(1961), Lenin(1961), Mao Tse-tung (1961), Bukharin(1969), Lenin(1966), Novack(1966), Sweezy (1968), Cox(1964), and Nicolaus(1970). There are of course many other works of Marx and his successors which have contributed to the present authour's understanding but these may be taken as the basic works contributing to the understanding of the basic concepts.

A. Hoselitz (1960: 31-42) has attempted to utilize three of Parson's pattern variables to explain the lack of social and economic development in many parts of the world. Hoselitz has suggested that the developed countries are characterized by the pattern variables of "universalism," "achievement orientation," and "functional specificity," while the underdeveloped nations exhibit their opposites, i.e. "particularism," "ascription," and "functional diffuseness" respectively. It follows, according to Hoselitz, that underdeveloped countries must de-emphasize the pattern variables of underdevelopment and adopt the pattern variables associated with development.

Parsons (1951) has contended that social systems and social actions can be analyzed in terms of five pairs<sup>2</sup> of pattern variables. The pattern variables are types of choices open to human beings with each one representing polar extremes. Parsons writes,

If the derivation of these five alternative pairs from possibilities of the combination of the basic components of the action system has been correct, if they are in fact all on the same level of generality and are exhaustive of the relevant logical possibilities on that level, they may be held to constitute a system. Then, on the relevant level which, as

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<sup>2</sup> The other two pairs are "affectivity vs. affective neutrality" and "self-orientation vs. collectivity-orientation."

we shall see is only one which needs to be considered, their permutations and combinations should yield a system of types of possible role-expectation pattern, on the relational level, namely defining the pattern of orientation to the actors in the role relationship. This system will consist of thirty-two types, which may in turn be grouped into a smaller number of more fundamental ones. (1951: 66; emphasis in the original)

Any individual in a situation must make a decision as to what he or she is going to do. In a "universalism-particularism" context the choice is between acting in terms of a universally accepted precept or one particular to the situation in which one finds oneself. In other words, a person is going to act with reference to rule or with reference to the particular qualities of the person towards whom one is orienting one's action. In the "achievement-ascription" context the person decides how to act by focusing his or her attention on either the achieved qualities of the other person or the ascribed qualities. In the "specificity-diffuseness" context the choice takes into account specific factors such as contract obligations while diffuse obligations include family loyalties, etc.

Which pole an individual leans towards is derived from that which is emphasized by the society in which the person was raised. The person acquires his "pattern" of behavior, so to speak, through socialization, or failing that, through coercive means. The problem is to make people want to do what they are expected to do.

The challenge to Hoselitz which has been raised by Frank(1969b: 25-39) is basically this. Both underdeveloped and developed countries sufficiently exhibit both polarities as to bring into question the general usefulness of the Hoselitz model. An example may be cited from Frank.

Hoselitz...characterizes developed countries as achievement oriented. To examine the counterpart of this pattern variable in reality, it is important to divide it into three sub-variables: reward, recruitment, and motivation. In the United States, reward within roles is indeed substantially dependent on achievement. But recruitment into roles, although perhaps substantially a matter of achievement among the middle classes, is very much based on ascription in both the high levels of business management, as Granick has shown..., and among the masses of poor in the "other America," as Michael Harrington has so dramatically demonstrated. The ascription of roles, and the consequent reward, to the American Negro speaks silently and eloquently for itself through his contemporary Freedom Movement. Harrington shows, moreover, that far from becoming less ascriptive, American society, both at the top and at the bottom (and perhaps also in the middle), is becoming progressively more ascriptive. (1969b: 26)

Frank is not saying that the Hoselitz approach is useless but is simply indicating that the pattern variables approach is not the crucial factor in the comprehension and analysis of underdevelopment and development. In other words, there are other factors, ignored or glossed over by Hoselitz, which are of critical importance in understanding the determination of underdevelopment and development(1969b: 32). In addition, Frank(1969b: 38) indicates that the

Hoselitz approach has yielded little success from a policy effectiveness viewpoint.

B. The approach espoused by W. W. Rostow talks about the "stages of economic growth." Rostow explores the contention which states that economic growth and development proceeds in several distinguishable historical phases. These historical stages are as follows: the traditional society, the pre-conditions for take-off, the take-off, the drive to maturity, and the age of high mass consumption. The key stage is, of course, the "take-off" stage where the economy attains self-sustaining growth. (Rostow, 1953 and 1964.)

In his criticism of the Rostow approach Frank writes,

Rostow's stages and thesis are incorrect primarily because they do not correspond at all to the past or present reality of the underdeveloped countries whose development they are supposed to guide. It is explicit in Rostow, as it is implicit in Hoselitz, that underdevelopment is the original stage of what are supposedly traditional societies---that there were no stages prior to the present stage of underdevelopment. It is further explicit in Rostow that the now developed societies were once underdeveloped. But all that is quite contrary to fact. This entire approach to economic development and cultural change attributes a history to the developed countries but denies all history to underdeveloped ones. The countries that are today underdeveloped evidently have had a history no less than have the developed ones. None of them, for example India, is today the way it was centuries or even decades ago...

Indeed, the economic and political expansion of Europe since the fifteenth century has come to incorporate the now underdeveloped countries into a single stream of world history, which has given rise simultaneously to the present development of some countries and the present underdevelopment of others. (1969b: 40-41)

This development-underdevelopment dialectic will be more fully discussed later. Suffice it to say at the moment it is Frank's view, amongst others, that the underdevelopment of the so-called "Third World" nations has been at the price of development of the industrialized nations.

C. The approach of Manning Nash to the studying of underdevelopment is essentially that of the dual-society theorists and will be more fully examined in Chapter Two. For the present it is the diffusionist aspect which will be commented on. The diffusionist thesis simply contends that underdeveloped nations are in need of investment capital (particularly foreign private investment) and advanced technology (Nash, 1958 and 1963). Underdeveloped nations, as in Latin America, do need capital, but why such a need exists is never answered by the diffusionists. Similarly, these countries need technology, but what kind for what purposes is also not dealt with.

Bodenheimer (1970: 113-114) and Frank (1969b: 48-66) have criticized the diffusionist approach on the following grounds. They point out that Latin America received \$ 3.8 billion worth of American direct investment between 1950 and 1965. During the same time span Latin America sent \$ 11.3 billion to the United States in the form of dividends and profits. In other words, Latin America has been a net exporter of capital in this sector---to the tune of \$ 7.5 billion.

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3 The reader is referred to the recent report on underdeveloped countries by Pearson et al. (1969) which argues this position.

This \$ 7.5 billion figure is considered a gross underestimate (Frank, 1969b: 49-52; Petras, 1970: 234). Jalee (1969: 125) has calculated that, all things considered, the "Third World" experienced a net loss of \$ 4.9 billion in 1964 with the respective Latin American figure being \$ 1.9 billion. Who is diffusing capital to whom?

Furthermore, Dos Santos (1970a: 231-236), Frank (1969a: 205-208), Petras (1970: 13-20), and O'Connor (1970: 42-60), as well as others, have pointed out that the technology "diffused" to Latin American countries contributes little to the development of those countries. Such technologies are capital intensive and, thus, employ relatively few Latin Americans. Furthermore, it is a technology designed to produce the consumer goods of a relatively affluent society and, therefore, is of little use in meeting the needs of the vast majority of Latin Americans. In sum, the technology "diffused" to Latin America largely serves the priorities of the multinational corporations rather than the needs of the Latin American people. Latin American economies become wedded to an economic system and form of production which inhibits the development of those countries.

D. The approaches to development associated with Everett Hagen and David McClelland may be best characterized as a "psychological approach." Both theorists emphasize the individual motivations of people from a neo-Freudian perspect-

ive. Hagen (1962) is explicit in his emphasis upon the psychological components of development. He makes much use of the "internal state" of the personality a la psychoanalysis. It is the short-comings in the individual personalities which go towards the explaining of underdevelopment in the "Third World."

McClelland takes a similar approach hypothesizing "that a society with a generally high level of n Achievement will produce more rapid economic development." (1964) The lack of development in Latin America is presumably due to a low level of n Achievement amongst the Latin American populace.

In criticizing these two approaches of Hagen and McClelland, Kunkel has observed,

Hagen makes much use of personality as an "internal state" of individuals. The characteristics of the "internal state" are derived from psychoanalytic theory, and then used to support the theory and hypothesized relations among observed facts and inferred characteristics. When psychoanalytic concepts and theories are used in the study of economic development, problems of validating the concepts make any causal generalization difficult to test and accept on bases other than faith...The causal analysis is inadequate. Hagen infers causes from effects, but no evidence is presented to validate the inference made...McClelland postulates a variety of needs as components of a person's "internal state," but this method of analysis involves inferences from behavior (e.g., the writing of stories based on TAT pictures) which are dif-

difficult to validate, in order to explain the data collected by McClelland and his associates. (1965: 72-73)

In sum, the positions of Hagen and McClelland are suggesting that development is a result of purely psychological changes within the individual rather than structural changes bringing about psychological changes.

This placing of the individual into the primary role rather than considering the social structure as primary and the individual's position secondary, but nevertheless important is not only unacceptable to Marxian theory but to other sociological theory as well. For example, the ideologically liberal scholar George Herbert Mead writes,

We attempt...to explain the conduct of the individual in terms of the organized conduct of the social group, rather than to account for the organized conduct of the social group in terms of the conduct of the separate individuals belonging to it. For social psychology, the whole (society) is prior to the part (the individual), not the part to the wholes; and the part is explained in terms of the whole, not the whole in terms of the part or parts. (1967: 7)

Mead has apparently put his finger upon the major shortcoming of the psychological approach to development, that being the emphasis of Hagen and McClelland on the individual over and above the social structure.

E. The perspective which Lipset and Solari bring to their joint effort on Latin America (1967) reflects quite well the mainstream thinking of contemporary American political sociology. Such thinking espouses the

views of pluralism with an emphasis placed on the role of competing elites and pressure groups. Put simply, Lipset (1963) and others claim that no one group holds an hegemonic position over the political and economic institutions of America. Various groups representing diverse interests in society compete to determine what the political and economic policies and decisions will be. These groups have, in general, equal power and influence. Politicians, and the institutions they hold sway over, must respond to these pressures from varying interests in society. No one interest group holds a decided edge in its ability to persuade or pressure politicians. It is the leaders, or the "elites", of these varied interests who have the most influence over the direction a particular group will move towards or take. What is largely true of America is similarly so for Latin America.

The pluralist theory is, of course, open to serious criticisms. These criticisms have been presented at length elsewhere<sup>4</sup> and there is no need to dwell on them. Bodenheimer reminds the reader of these when she writes,

What this type (pluralist) of analysis does accomplish---by no coincidence...---is the elimination of Marxian class analysis and the transformation of the very concept of

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<sup>4</sup> The reader is referred to Domhoff (1967 and 1970), Miliband (1969), and Fitch and Oppenheimer (1970a; 1970b; 1970c).

"class" from a powerful analytical tool into a contentless categorization of social groupings in terms of income, occupation, or "status". It removes the very heart of the concept of class and class conflict---stratified power relationships. Deprived of the notion of power, and specifically the concept of domination or exploitation of one class by another, pluralist analysis leaves little room for a conflict model. For if all conflicts of interest are reconcilable by bargaining and compromise, notions of "class struggle" or conflict based in power relations become irrelevant. (1970: 108-109)

With respect to the application of the pluralist perspective to Latin America one could seriously question the justification of applying what seems to be true for the United States to the Latin American context. By doing so, one becomes subject to Myrdal's (1970: 16) criticism of using models and concepts forged in the Western world as being equally applicable in the studying of the "Third World." More damaging, however, is that literature, already referred to, which questions the validity of pluralism *per se*.

The short-comings of applying the pluralist perspective to Latin American studies is indicated nicely by Blackburn in his criticism of Lipset and Solari's effort. Blackburn writes,

In a book supposedly devoted to elites there is no contribution on landowners who have traditionally been such an important element in the Latin American oligarchy. On the other hand there are

seven contributions on aspects of the educational system...The general argument emerging from such works is that the development of underdeveloped regions will ensue if schoolteachers can be persuaded to instill healthy capitalist values in their pupils... (1969: 172)

In summary, each of the prevailing mainstream perspectives on development and underdevelopment have been subject to serious short-comings. These short-comings are of such a degree as to warrant their abandonment for the moment. In their places must be offered a perspective which is not subject to the short-comings of the others and which presents its bearer with a more powerful approach in comprehending the socio-economic reality of Latin America.

## II

### The Metro-Satellite Model Used

The perspective and model which will be used throughout this thesis is based upon Marxian foundations and concepts. The model derived from these foundations may be referred to as the "metro-satellite" model. The model is quite similar to the "metropolis-satellite" model of development-underdevelopment developed by Andre Gunder Frank (1969a).

The thesis model is considered to be a conflict model as opposed to the "order" models characterized by the mainstream perspectives. These latter perspectives have tended to emphasize harmony, equilibrium, and grad-

ualism in a world full of conflict, disruption, and qualitative discontinuity. The conflict model states that events of a political, social, and economic nature are best understood as a result of conflict amongst various contending forces---those forces attempting to maintain the status quo conflict with those forces attempting to modify or radically transform it.

In attempting to be concise in the presentation of the "metro-satellite" model it may be necessary to be general and overly simple. This kind of presentation will not detract from the presentation and may, indeed, add to it by avoiding distracting detail.

Capitalism may be distinguished and differentiated from other kinds of socio-economic systems. Under capitalism the means of production, distribution, and exchange are owned and controlled by a small minority of the populace.<sup>5</sup> Feudalism has been said to be "a system under which economic status and authority were associated with land-tenure, and the direct producer (who was himself the holder of some land) was under obligation based on law or customary right to devote a certain quota of his labour or his produce to the benefit of his feudal superior." (Dobb, 1967: 2) What distinguishes capitalism from feudalism is 1) the creation of a wage-labour force, and 2) the amassing of liquid capital. (Sweezy, 1971c: 3.) Under the capitalist system the surplus

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<sup>5</sup> For a summary of studies indicating this see Lundberg (1969).

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value generated by the labour force, which forms the vast majority of the adult population, is expropriated and appropriated by the capitalists. A large part of this surplus value must be reinvested if capitalism and/or capitalist enterprises is to grow and prosper. Sweezy notes,

The process is by its very nature an expanding one, always requiring new fields for investment, more labor power and raw materials, and larger markets for finished products. (1971c: 3-4)

Capitalism has passed through a number of different forms---from a competitive stage in America and England to a monopoly<sup>7</sup> form characteristic of contemporary industrial capitalism in general. In the competitive stage the individual firm grew by reducing costs, under-selling rivals, realizing larger profits, and investing in a manner which cut costs, increased supply, and under-cut competitors. As

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6 This term may be explained in the following simple example. A worker is required to work eight hours a day for the capitalist in order to provide for himself and his dependents. (He owns no means of production.) However, within four hours he has produced enough to meet the survival needs of himself and his dependents. Nevertheless, as a condition of employment he must work the full eight hours. He is paid for the four hours of work and not the eight. The other four hours is surplus labour which is turned into surplus value and remains in the hands of the capitalist. The worker receives wages covering only the first four hours of labour.

7 The term "monopoly" is utilized here as in Baran and Sweezy (1966: 6 fn.). They write, "we use the term 'monopoly' to include not only the case of a single seller of a commodity for which there are no substitutes, but also the much more common case of 'oligopoly', i.e., a few sellers dominating the markets for products which are more or less satisfactory substitutes for one another."

some firms prospered and grew, other firms fell behind in the race. The average firm becomes so large that it must begin to take account of the effect its own production has on the market price. It then begins to act like a monopolist. Advancing technology also favoured the larger business enterprise which was able to meet the costs of such entities.

Thus, under capitalism there is a monopolization process. The firm begins to manipulate its supply so as to be able to set prices which yield the greatest profit. An increase in supply could mean a cut in prices and a subsequent loss in profits. Such an event would undercut the firm's ability to keep pace with its rivals. Sweezy notes the consequences,

Given these possibilities and constraints, the result is an irresistible drive on the part of the monopolistic firm to move outside of and beyond its historical field of operation, to penetrate new industries and new markets. Thus the typical production unit in modern developed capitalism is a giant corporation, which is both conglomerate (operating in many industries) and multinational (operating in many countries).  
(1971c: 5)

8

Capitalism has been imperialistic ever since its

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8: By "imperialism" is meant the control by natives of one region or country over the economic resources of another region or country, such that these resources are used largely for the benefit of the former. The key concept is "control" which may be exercised directly through the classical colonial situation or indirectly, e.g. through the manipulation of international commodity prices, foreign aid, etc.

beginnings. This imperialism has taken a number of forms ---first the mercantile, then the laissez-faire, and now the monopolistic. Capitalism is a system in that it is an ordering of interrelated parts. Many of these parts of capitalism have consistently been in sharp conflict with other parts. In a word, the large number of the exploited countries have clashed with the smaller number of dominating countries holding hegemony over the former. As Sweezy notes, "The two are indissolubly linked together, and nothing that happens in either part can be understood if it is considered in abstraction from the system as a whole." (1971 c : 3)

The spread of capitalism throughout the world has produced economically developed and economically underdeveloped poles. The former have been concentrated in North America, Europe and Japan while the latter have been centred in continental Asia, Africa and Latin America. Capitalism has also generated regions of underdevelopment within the developing, industrial metropolises, and small pockets of development within the underdeveloping , non-industrial peripheries (satellites).

The underdeveloped regions have been and remain characterized by an emphasis on raw material production with a

dependence upon one or a handful of raw material exports. The corporate concerns of these countries are increasingly controlled by foreign investors through the form of the multinational corporation. These corporations gear their activities to the benefit of the corporation as a whole rather than for the priorities of the country in which they have located themselves. The effects of this development have been noted by Hymer who writes,

In many cases, business enterprises (the micro-cosm) are now broader than nation states (the macrocosm). In other words, the part is greater than the whole and old balances and rivalries have, to some extent, been upset. The corporation gains flexibility by crossing international boundaries and erodes the power of the nation state. (1970: 243)

The native elites which have served the colonial powers in the past now serve the multinational concerns (for it is there that the power and wealth is concentrated). What native capitalist enterprises have managed to develop on their own have been or are being squeezed out by the larger multinationals which control world markets. The powerful military and governmental apparatuses available to such multinationals have created and continue to create conditions favourable to the development of the multinationals. Such conditions created include the removal of obstacles impeding the penetration of markets and the prevention of the rise of forces opposed to the multinationals.

What has been considered to be true about the spread of capitalism in general is considered to be true of Latin America in particular. The development of industrialized capitalism in Western Europe and the United States has subjected Latin America to underdevelopment. In a word, underdevelopment and development are intimately interrelated. Western Europe, and now the United States, have served as the metropolis of Latin America. In turn, Latin America has served as the satellite of these respective metropolises. The Latin American satellites, in their turn, have had their own satellites for which they served as metropolises. These metropolis-satellite relationships have existed at the national, regional, and local levels as well as the international level.

This metropolis-satellite relationship is expressed by Frank in the following manner.

Capitalism's essential internal contradiction between the exploiting and exploited appears within nations no less than between them. And imperialism's consequent essential structure of the exploitative relations between the developing metropolis and the underdeveloping periphery is partially duplicated within each society, each nation-state, and indeed within their regions and sectors. In each underdeveloped country it is today its national metropolis which had and has the greatest contact with the world metropolis. Simultaneously and consequently, these national metropolises, and of course the world capitalist metropolis as well, maintain an exploitative relationship with their respective provincial peripheries which is an extension of the relationship the world capitalist metropolis maintains with them. On the regional and sectoral levels as well,

the provincial commercial centers, which are in the economically disadvantageous position of a periphery with respect to the national and international metropolises, are for their own part in turn an exploiting metropolitan center to their respective rural hinterlands. The metropolis of each of these levels is of course intimately tied to and dependent on the metropolises of other levels. (1969b: 227)

There is, then, a hierarchical ordering of metropolises and satellites, pyramidal in shape. This pyramid is, of course, narrow at the apex and broad at the base indicating that the few above exploit the many below.

9

The economic surplus generated by the satellite is expropriated and appropriated by the metropolis and is steered up the pyramid. Each level helps itself to some of the surplus, thus developing at the expense of the lower level(s). There are close economic, political, social and cultural ties between each metropolis and its satellite. There is a monopolistic structure extending throughout the whole system in which the metropolis holds monopoly power over the satellite. A large part, or even all, of the economic surplus is expropriated and appropriated by the metropolis. Available resources are poorly allocated as far as the satellites needs are concerned. (Frank, 1969a: 147.)

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9 This term was developed by Baran(1960: 22-41). It is that part of the surplus value which is being accumulated, i.e. not being consumed by the capitalist class.

According to Frank (1969a: 145-150) the expansion of the capitalist system several centuries ago incorporated the major portions of the world into the capitalist system. Since 1917, however, numerous countries have opted out of this particular socio-economic system and have established what may be loosely referred to as a "socialist" system in its place. Underdeveloped nations which have severed the metropolis-satellite ties and adopted a centrally-planned economy have been able to develop economically. Frank maintains that unless Latin American nations do much the same they will remain underdeveloped.

It is useful at this point to make clear the distinction between economic development and economic growth. These two concepts cannot be equated although they often accompany one another. All countries exhibit economic growth to one degree or another. In other words, the Gross National Product never remains static in any absolute sense. Economic growth is an indicator of the change in the output of goods and services over a specified period of time. A country exhibiting growth may be developed, developing, or underdeveloped, or underdeveloping. Even a high growth rate for an underdeveloped country does not necessarily mean that country is developing.

Actual economic development may be measured by a number of indicators such as per capita income, per capita consumption of energy, per capita consumption of steel, etc. Such indicators are, of course, relative. Jalee (1969:

3-13) has shown that the three indices just mentioned give a good indication of a country's relative economic development. In other words, countries such as the United States, Sweden, U.S.S.R., etc. are generally considered to be developed while countries like Peru, Nigeria, India, etc. are generally thought to be underdeveloped. The three indices accurately reflect these differences in development. Other indices may be used as well.

Countries moving towards development are likely to exhibit a fairly high growth rate. Countries exhibiting a high growth rate, however, cannot be said to be developing given the growth data alone. Neither concept can be said to reflect other indications of development such as the quality of goods and services produced, the distribution of the nation's income, the distribution of the goods and services, what have been the costs of development and/or growth, e.g. pollution and damage to the ecology, etc.

There are, of course, indices of social development as well. Such indicators include number of people per doctor, number of people per teacher, number of people per house, provision of water and sewage, etc. Economically developed countries definitely tend to be better off vis-a-vis social development than are the economically less developed. (Jalee, 1969: 10-11.)

## CHAPTER TWO

### HISTORICAL PATTERNS IN LATIN AMERICAN SOCIETY

The expressed purpose of this particular chapter is to 1) examine the widely-held "dual-society" model with respect to Latin America, 2) present an historical overview of Latin America from the "metro-satellite" perspective, and 3) offer some preliminary data indicating the extent to which American interests are involved in the Latin American economy. Such a discussion is likely to aid the reader in his or her comprehension of the thesis as a whole.

#### I The "Dual-Society" Thesis

Marxists and non-Marxists alike have long held to a model of Latin America which has been termed the "dual-society" model. This model of Latin America may be summarized in the following manner. In Latin America there are two different and largely independent societies---one which is archaic or "feudalistic" in nature, and another which is modern or capitalistic. The former emphasizes traditional and agrarian life styles while the latter emphasizes life styles taken to be modern and urban. Sociological concepts such as "Gemeinschaft",

"primary groups", "folk society", and "sacred societies", connote and convey to the reader the essence of the former type while the polar concepts of "Gesellschaft", "secondary groups", "urban society", and "secular society"<sup>1</sup> connote and convey the essence of the latter type.

The more archaic pole is supposed to have had its origins in the feudal stage of the Spanish and Portuguese colonial epochs. These Western European nations imposed their own feudal structures upon the "new world" of the Americas. The "feudal" pole exhibits little change or innovation while the more modern capitalist pole is dynamic and creative. The latter is said to have cast off its feudal origins and developed into a relatively modern and economically developed society. The "feudal" segment is ruled by a conservative oligarchy which is hindering or holding back the further modernization of both the modern and archaic poles. The more modern segment, according to the dual-society thesis, has proved to be entrepreneurial, progressive, and middle class. Furthermore, this modern segment is supposedly characterized by an inclination to-

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<sup>1</sup> The reader is referred to several sources which summarize the dual-society thesis. See, for instance, Tannenbaum (1966), Woddis (1967), and Stavenhagen (1968).

wards Western style "democracy." It follows from such a point of view that for a full social and economic development of Latin America to occur there must be an abandoning of the "feudal" sector and a subsequent embracing of the capitalist sector.

The first challenge to this dual-society thesis is the questioning of the validity of the notion that both Spain and Portugal were clearly feudal societies at the time of their colonization of the "new world." If they were indeed feudalistic then it would seem reasonable to assume that their colonization would be feudal in nature. However, if they were not feudalistic then it would seem unlikely, although not entirely out of the question that they would colonize in the feudalistic fashion. The present author has become convinced that Spain and Portugal were not feudalistic but capitalistic at the time of their colonizing in the Americas. Furthermore, that a feudal structure was not imposed upon the Latin American colonies but that the colonization was capitalist in nature. What feudal traits might have exhibited themselves in Latin America were quite undeveloped and superficial whereas the capitalistic features were quite extensive and the heart of the colonization process.

It would seem quite useful, at this point, to clarify

what socio-economic features distinguish a feudal-type system from a capitalist-type one. Cockcroft has taken feudalism to mean "a socio-economic system characterized by a closed economy unconcerned with the accumulation of capital and its progressive reinvestment for profit" (1968: 29-30). Dobb has referred to feudalism "as a system under which economic status and authority were associated with land-tenure, and the direct producer (who was himself the holder of some land) was under obligation based on law or customary right to devote a certain quota of his labour or his produce to the benefit of his feudal superior" (1967: 2).

Sweezy has criticized Dobb's definition as being "too general" (1967: 1) and equating "serfdom" and "feudalism" (1967: 1). Sweezy goes on to say,

Some serfdom can exist in systems which are clearly not feudal; and even as the dominant relation of production, serfdom has at different times and in different regions been associated with different forms of economic organization... In studying specific historical problems, it is important to know not only that we are dealing with feudalism but also which member of the family is involved. (1967: 1; emphasis in the original.)

Sweezy defines feudalism "as an economic system in which serfdom is the predominant relation of production, and in which production is organized in and around the manorial estate of the lord" (1967: 2). Sweezy continues,

It is important to notice that this definition does not imply 'natural economy' or the absence of money transactions or money calculation. What it does imply is that markets are for the most part local and that long-distance trade, while

not necessarily absent, plays no determining role in the purposes or methods of production. The crucial feature of feudalism in this sense is that it is a system of production for use. The needs of the community are known and production is planned and organized with a view to satisfying these needs...There is...none of the pressure which exists under capitalism for continual improvements in methods of production. (1967: 2; emphasis in the original.)

Although there may be dissatisfaction with Sweezy's analysis it, nevertheless, is sufficient for the purposes of this thesis.

Capitalism is considered by Cockcroft to be " a socio-economic system in which all or most of the means of production and distribution are privately owned and operated for profit, the accumulation of capital, and the progressive reinvestment of capital, with a corresponding development of labor, salaried classes, and regularly paid functionaries, all of whom interrelate within a relatively open, competitive economy" (1968: 29-30).

It is important to note that some form of exploitative relationship exists both under feudalism and now under capitalism. Every class society has been characterized by the contradiction between exploiters and exploited. It would seem essential but incomplete to attempt to differentiate "feudalism" and "capitalism" on this basis alone.

Sweezy considers a main distinction between feudalism and capitalism to be between a system of production for use and production for the market (1967: 8). In addition, Sweezy writes that "the buying and selling of labor power is the

differentia specificia of capitalism" (1968: 56). In other words, in a capitalist society people are not bound to the land and are free to earn their living by selling their labour power for a wage or salary.

Luis Vitale (1968: 34) has claimed that neither Portugal nor Spain could be considered to be feudalistic at the time of their colonization of the "new world." Vitale claims that Portugal had already witnessed its first bourgeois revolution in 1381---over one hundred years before Columbus crossed the Atlantic. That revolution ultimately failed due to the weak, undeveloped social forces supporting it but, it laid the basis for later success. The bourgeois challenge to feudal hegemony had been deeply rooted and not easily set back.

With respect to Spain, Vitale continues,

Spain had less typically feudal characteristics than other European countries for several reasons:

- 1) The prolonged Moslem invasion had specific effects on Spain, interrupting, or rather changing, the course of the feudal development that had risen in Visigothic Spain...The Moslem civilization was absorbed by Spanish society, giving an unusual stimulus to commerce...While the rest of Europe lived under a regime of natural economy, Spain was carrying on a relatively active trade. The Arabs promoted agricultural and industrial progress...

- 2) The Arab invasion forced the Spanish royalty and nobility to revise the socioeconomic system. In the areas most affected by the war, such

as Leon and Castilla, a relatively free peasant population emerged that refused to recognize ancient feudal ties...

3) The war against the Arabs impeded the consolidation of the feudal lords, strengthening the centralizing tendency of the kings... Later attempts at feudal consolidation were checked by means of the Catholic kings...

4) From the fourteenth century onward, a pastoral economy known as Mesta developed... This sheepraising system, in spite of its appearance, was not feudalistic, since the wool produced was sent to the international market...

5) The most conclusive proof that Spain was advancing toward capitalism lay in the rise of a new social class: the bourgeoisie. Commercial capital, accumulated by the merchants trading with the North Atlantic, Italy, and Provence, began to finance manufacturing enterprises... (1968: 34-36; emphasis in original.)

Vitale concludes, "In brief, Spain during the period of American conquest was a country in transition from feudalism to capitalism, a nation of uneven development combining feudal institutions with a relatively strong bourgeoisie that was dealing with foreign markets." (1968: 36)

Thus, the European nations of Spain and Portugal were semi-capitalist at the time of the conquest and well before other nations of Europe. More important, however, is the fact that the colonizing forces were clearly those of mercantile capitalism. The conquest had a clearly capitalist purpose---the exploitation and commercialization of precious metals. Vitale argues,

Despite the presence of feudal manors, the colonial economy was not based on a natural economy or the smallscale production of the feudal estate, but on the exploitation of raw materials for the international market on a relatively

large scale and through the employment of large numbers of native workers...In three centuries Spain extracted twenty thousand million francs in precious metals from American sources, and the principal colonial cities were created for the purpose of exporting raw materials to Europe. The exploitation of labor during colonization was not feudal in character; black slavery was not a feudal institution but a capitalist enterprise, organized with large amounts of capital...And the native laborers on the encomiendas, while in no way the typical workers of modern industry, did receive a "bastardized salary." (1968: 37; emphasis in original.)

The economy of the colonies was geared to serve the Spanish and Portuguese mother countries. Latin America's role as an exporter of raw materials was initiated in this colonial period. Local industrial development was restricted by the mother countries and, thus, prevented the emergence of a "normal" domestic market. What indigenous enterprises did arise were largely there to serve the exporting concerns, the employees working in such enterprises, and the colonial administrators. Manufactured goods were imported from the mother countries. The colonies were apparently there to be exploited, not developed.

Nevertheless, the exploitation of the indigenous population was bound to lead to conflicts of interest. As such conflicts sharpened during the colonial epoch, and as the mother countries grew weaker in the face of increasing competition, the likelihood of the colonies obtaining their political independence heightened. The

colonies were eventually able to wrest political control from the mother countries in the early 1800's.

Stavenhagen (1968) and Cockcroft (1970) both note the role of the colonies vis-a-vis the mother countries in a similar manner as Vitale above. Stavenhagen writes,

...the developed areas of the underdeveloped countries operate like a pumping mechanism, drawing from their backward, underdeveloped hinterland the very elements that make for their own development. This situation...is the result of a long historical process that began with the expansion of mercantilist and colonialist Europe. (1968: 16; emphasis in original.)

James Cockcroft continues in a similar vein when he writes,

Latin American agriculture is not feudal. European feudalism was never transplanted to Latin America. Spain was itself in a post-feudal stage and therefore had no feudalism to transplant. More importantly, agriculture in Latin America was developed to service the mining sectors of the economy (gold and silver) with mules, horses, and food, and to export goods to Europe (hides, tallow, sugar, tobacco, cochineal, cacao). From the outset, then, Latin American agriculture was formed or, better said, deformed, in order to further the capitalist development of Europe. Agriculture has always been an integral part of the market economy, the very opposite of a self-sufficient, isolated, feudal economy. (1970: 43-44)

Andre Gunder Frank (1969a) has been able to provide a substantial amount of empirical data which seems to confirm the position just outlined by Cockcroft. Frank (1969a and 1969b) further provides data and evidence to support the contention that Latin America was never feudal in nature and that, therefore, the dual-society

model is an inappropriate one for comprehending the Latin American political-economy. More specifically, Frank lists the features of feudalism and of capitalism in the agricultural sector under three sub-headings: 1) organization of agricultural production, 2) condition of agricultural workers, and 3) changes over time. (1969a: 230) Frank finds little evidence to support the thesis that Brazilian agriculture has been or remains feudal since the Portuguese colonization. (1969a: 229-242)

Laclau (1971: 19-38) takes issue with Frank's analysis which states that feudalism neither exists today in Latin America nor was it transplanted with Spanish and Portuguese colonization. Nevertheless, and it is an important point, Laclau considers the "dual-society" thesis still to be false vis-a-vis Latin America. Laclau writes,

...semi-feudal conditions are still widely characteristic of the Latin American countryside. There is no need whatever to draw dualist perspectives from this position, because we have already seen that the basis of the modern, expanding sector was provided by increased exploitation in the backward sector.

We now reach the point where the fundamental misunderstanding in this polemic rests: to affirm the feudal character of relations of production in the agrarian sector does not necessarily involve maintaining a dualist thesis. Dualism implies that no connections exist between the 'modern' or 'progressive' sector and the 'closed' or 'traditional' sector. Yet we have argued that, on the contrary, servile exploitation was accentuated and consolidated by the very tendency of entrepreneurs ...to maximize profits... (1971: 31; original emphasis)

In short, Latin America integrated into an imperialist system and that Laclau can concur with Frank that the dual-society

model is an inappropriate one in the study of Latin American society.

The additional suggestion of the dual-society thesis that the archaic, landed, "feudal" sector is holding back the social and economic development of Latin America seems to be unsubstantiated. Indeed, the research of Petras (1970), Stavenhagen (1968), and Frank (1969a) suggests the heavy interlocking of the business, financial, and agricultural elites. In other words, these elites tend to be one and the same. In sum, the burden of proof seems to have shifted to those still adhering to the dual-society position.

II  
Latin America : An Historical Overview

Having presented the reasons as to why the dual-society thesis has been rejected and why the "metro-satellite" perspective accepted, the thesis now turns to a brief discussion of Latin America circa the coming of the Spaniards and the Portuguese. This historical overview will be presented from the "metro-satellite" perspective and is deemed necessary in order to have a fuller appreciation of the contemporary situation in Latin America.

In 1969 there were approximately 265 million people in Latin American countries. Some 85 percent lived in seven of the nineteen nations. The seven countries were

Argentina, Brazil, Chile, Columbia, Mexico, Peru and Venezuela. The remaining 15 percent live in twelve other countries. All nineteen, with the exception of Uruguay, lie within tropical or sub-tropical regions. Their landscapes are dominated by mountains, plateaus, and valleys. Their lowlands are covered with thick jungles.

Columbus, of course, landed on one of the Caribbean islands in October of 1492. At that time, the Mediterranean had become more and more under Turkish hegemony to an extent that Christian trade routes were threatened. The high prices of mercantile intermediaries was draining Europe of its gold and silver. There was, therefore, an impulse to find a new, alternative route to the Orient. Two possibilities appeared likely---around the southern tip of Africa into the Indian Ocean, or by sailing westward across the Atlantic. The latter alternative was attempted by Columbus who succeeded in crossing the Atlantic in 1492. He landed in the Bahamas in October of 1492. A couple of weeks later he "discovered" Cuba and thought it to be Japan or mainland China. He then returned to Spain.

Pendle notes that upon Columbus' return the following took place.

Ferdinand and Isabella, aware of the jealousy of the King of Portugal, hastened to obtain recognition of Spain's ownership of the lands that Columbus had discovered. They at once appealed to the Pope, whose authority to allocate territory not possessed by a Christian prince was

still acknowledged. The moment was propitious, as a Spaniard happened to be occupying the pontifical throne, and it was to the Spanish monarchs themselves that he owed his office... After some bargaining between the Spanish monarchs and the Portuguese king the Treaty of Tordesillas was signed in June 1494 whereby the line was fixed at 370 leagues to the west of Cape Verde. By chance, this re-adjustment placed the undiscovered coast of the country that is now Brazil within the Portuguese sphere. (1963: 34)

The mainland of the Spanish colonies had given rise to the Maya, Aztec, and Inca civilizations. The Mayas were in decline when the Spaniards arrived while the Aztecs had built their stronghold and base upon the lakes where Mexico City is today. They then were able to conquer the surrounding territories. Subdued peoples became their slaves or were sacrificed to the gods. The Incas, in the meantime, had extended their hegemony over the full length of Peru across Bolivia and into Chile. They had built a series of roads which linked these various parts. The Incas had not, however, developed a form of writing and thus had to transmit messages verbally or by way of coloured strings. They were also ignorant of the wheel and used llamas as their beasts of burden.

The conquest of Middle and South America was primarily Spanish. The Spaniards had only recently driven out the Moslems who had come to Spain in 711 A.D. In 1521 Megellan, a Portuguese navigator in the service of Spain, sailed through the southern strait around the tip of South America. Balboa had previously reached the Pacific in 1513 by travelling

across the isthmus of Panama. These travels had given birth to tales of untold wealth supposedly contained in the highlands of Mexico, Colombia, and Peru. The new world was a continent to be plundered. After Megellan's discovery the conquistadores came to Latin America.

The conquistadores advanced into the mainland of South America through the dense jungles and up the breathtaking heights. Pendle writes that

By the year 1550 these extraordinary men had practically completed the conquest of an area which included the southern part of the present-day United States and extended as far south as central Chile. (Brazil was outside their control.) Moreover, by 1550 the conquistadores ---true Spaniards that they were---had founded many of the cities which still today are major centres of population. (1963: 37)

The motivation for exploration and settlement was a greed for gold and fame, and a desire to convert the "heathens" to Christianity. The conquering of the continent was infamously brutal. In fifty years the conquistadores had completed the pacification of almost all of the territories with the one notable exception of the Argentine pampa.

In the meantime Portugal was preoccupied with its interests in the Far East and the French frequented Brazil more than did the Portuguese. The French cut "brazil-wood" and raided Portuguese shipping. In 1500 Portugal was already the largest producer of sugar for an oversupplied Europe. Not until 1530 when there was an increased demand for sugar did Portugal expand its production by planting cane in the Northeast of Brazil. This area rapidly became Portugal's

main source of supply. According to Frank (1969a: 152-153) the sugar business became concentrated into a few hands--- the owners of land and sugar mills, and the merchants. These people were completely wedded to a dependence upon the mother country for export markets. Frank writes,

The concentration of wealth in their hands, the transfer of much of it to the metropolis, and the structure of production whose greatest profit lay in producing a single product for export led to little domestic investment and production and to the importation from the metropolis of the equipment for the sugar mills and of luxury consumer goods. (1969a: 152-153)

Brazil thus became locked into the mercantile capitalist system of that era. This structure of dependence upon one or a few primary exports was to last up to the present time.

Much the same thing happened throughout the rest of Latin America although the staple products varied. Other economic sectors were established to supply the resources-export sector with timber, fuel, food and clothing. The instability of the prices of staple exports has always had serious repercussions for Latin American economies. The colonial city became the dominant domestic metropolitan centre with the countryside largely serving as its dependent satellite. The development of the colonial city was of course limited by its ties to the overseas metropolis.

The Spanish and Portuguese ruling circles established a colonial administration throughout the major part of the Americas. The economy was naturally geared to the servitude of the needs of the respective mother countries. Severe trad-

ing restrictions had been placed on the colonies. Such restrictions led to a flourishing contraband trade. The church also came to have extensive economic interests in Latin America.

After 1600 the power of Portugal and Spain sharply declined. With the union of the Spanish and Portuguese crowns, the enemies of Spain became the enemies of Portugal as well. In 1642, 1654, and 1661 Portugal signed commercial treaties with Great Britain giving the latter economic concessions in return for military protection. Spain had become bankrupt by 1700 and also fell under the domination of Britain and France. Thus, Spain and Portugal became, in effect, satellites of Britain. Both increasingly became stagnant economically and took on the features of underdevelopment. Such developments did not occur all at once but over a period of time. In the long-run, however, this satellization process of Portugal and Spain did result.

As noted earlier in this chapter, the colonies were able to gain political independence from the weakened mother countries in the early 1800's. This independence was achieved by both violent and non-violent methods with some countries emphasizing the former and some the latter. In the economic sphere, however, Britain was not only able to maintain the economic influence it had gained in the colonies but was also able to increase it. This she was able to do through her monopolistic control over the former colonies access to mar-

kets. This brand of exploitation can be termed the era of "laissez-faire imperialism."

Frank has analyzed this form of imperialism vis-a-vis Latin America in the following fashion.

The monopolistic metropolis-satellite structure of the capitalist system did not really change; it only altered its form and mechanism. During the mercantile epoch the metropolis's monopoly was maintained by military force and commercial monopoly; and it was thus that the metropolis developed its industry while the satellites underdeveloped their agriculture. During the liberal epoch, the same monopoly of the now industrially stronger metropolis was maintained and extended through free trade and military force. As Alexander Hamilton and Friedrich List recognized, it was liberalism and free trade which guaranteed Britain its nineteenth-century industrial monopoly over the satellites. When this policy no longer excluded her metropolitan rivals from the world market, liberalism was revised at the end of the nineteenth century by the imperialist colonial policy; and with the Depression of the 1930's Britain and John Maynard Keynes abandoned free trade entirely. (1969a: 163-164)

To this day, Latin American countries remain exporters of primary products or resources to the world metropolises (largely the United States) and importers of manufactured goods. The recent increase in local manufactured goods emphasizes luxury-type consumer products and results from the importing of technologies designed for that form of production. These manufacturing concerns are largely foreign-owned, largely by Americans. The United States has replaced Britain as the metropolis exercising its hegemony over Latin America.

## III

American Economic Interests in Latin America

This portion of the chapter will attempt to examine the extent of American economic interests in Latin America. The importance of such an examination cannot be over-emphasized in that it appears, at least on the surface, that the large American-owned multinational corporate conglomerates are unduly structuring and shaping the Latin American economies to serve their own corporate interests rather than the interests of the Latin American people. These multinational corporations are apparently condemning Latin America to underdevelopment and economic stagnation. It must also be remembered that the Alliance for Progress was formulated and implemented within this apparent underdevelopment context.

As the British empire began its decline towards the end of the nineteenth century, the way was opened for the penetration of Latin America by other imperialist giants.<sup>2</sup> The rapidly rising economy of the United States with its close proximity to and historic interest in Latin America was an expansionist capitalism particularly well-equipped to undertake such a penetration.

That such a replacement process did, indeed, occur is largely borne out by the following data. According to the

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<sup>2</sup> For a comparison of the British and American capitalist empires the reader is referred to Fred Block (1970).

United Nations Department of Economic and Social Affairs (1955: 153) the United Kingdom had \$ 425 million worth of private monies invested in Latin America. By 1913 this figure had climbed to \$ 3,682 million. A later report by the same department (1965 : 17) shows that the figure then dropped to \$ 3,585 million in 1914. According to Cleona Lewis's study (1938) the United States had \$ 308 million worth of private investment in Latin America in 1897. By 1914 this figure had risen to some \$ 1,394 million. (The United Nations Department of Economic and Social Affairs, 1965: 17.) The U.N. report (1965: 17) gives comparative figures for other capitalist nations investing in Latin America as follows: France---\$ 711 million, Germany---\$ 320 million, and "others" ---\$ 1,559 million; for a total of \$ 7,569 million.

A rapid calculation from the just-cited figures indicates that in 1914 some 46 percent of the private foreign investment in Latin America was accounted for by Great Britain. The United States was second in this regard at 18 percent. However, some 87 percent of the American total was direct investment rather than portfolio investment. This feature sharply distinguished American investment from British.

From World War I on, private investment in Latin America by the United States rose both absolutely and relatively, while British investment relatively declined. By 1958, the United States had \$ 7,752 million worth of direct investment in Latin America while British direct investment totaled \$ 577 million. (May, 1968: 394-401) In summarizing this

process, Francisco Mieres writes,

At the beginning of the century, American capital accounted for a little over eight per cent of foreign investments on the continent, as against the 58 per cent controlled by Britain. By 1913-1914 the United States' share had shot up to 20 per cent, whereas British capital, although still in the lead, controlled less than half of the total foreign investments. Since then, the situation has changed radically: the U.S. monopolies account for four-fifths of the total sum of foreign investments, British capital for less than 13 per cent. (1969: 65-66)

In summary, then, the United States' direct investment in Latin America went from \$ 290 million in 1897 to \$ 1,528 million in 1919; from \$2,245 million in 1924 to \$ 3,462 million in 1929; from \$ 4,445 million in 1950 to \$ 11,010 million in 1968. Between 1950 and 1968 the increase was almost 150 percent. (United States Department of Commerce, Bureau of the Census, various years.)

It is often contended (Pearson et al., 1969: 99-123) that private foreign investment is most useful, indeed quite necessary, for the economic development of underdeveloped nations. Such a utility is further enhanced when the private investment is accompanied by foreign aid payments. Such a contention does not appear to be borne out by Latin American nations. The fact of the matter is that between 1950 and 1968 the United States made direct investments in Latin America totaling some \$ 6,565 million. At the same time, however, these United States investors took out of Latin America, by way of profits, dividends, etc., a total

of \$ 13,390 million. Thus, with respect to the private foreign investment sector, Latin America was a net exporter of \$ 6,725 million of much needed capital funds. The respective figures for the 1960 to 1968 period were: foreign private direct investment inflow---\$ 2,890 million, private outflow---\$ 8,064 million; for a net loss of \$ 5,154 million to United States investors. (United States Bureau of the Census, United States Department of Commerce, various years.)

Frank (1969b: 49-52), Galeano (1970: 36), and O'Connor (1970 : 53-56), amongst others, consider these net export of private capital figures to be an underestimate. Galeano writes,

A good part of the money which was sent back to the U.S. as amortization was really profits, and the figures also do not include payments abroad for patents, royalties, and technical assistance; nor do they reveal other invisible transfers that usually appear under the heading "errors and omissions"; nor do they take into account the profits that the corporations receive when they inflate the prices of supplies sold to their affiliates and when they inflate, with equal enthusiasm, their operating costs. (1970: 36)

These decapitalization features are exacerbated by the deteriorating terms of trade of the Latin American nations. The effect of this particular process is further noted by Galeano.

Latin American exports grow in volume but their prices tend to fall---or, in the best of cases, they remain stagnant---while the prices of industrialized products imported by the region rise. Buying power is diminishing. Taking 1950 prices as a base and adding data from various documents published by the United Nations Eco-

conomic Commission for Latin America and the UN itself, it can be seen that Latin America lost, due to the deterioration of its terms of trade, more than \$ 18.5 billion in the ten years from 1955 to 1964. Now then, imperialist investments in the industrial sector have had no effect on these terms of international trade. Latin America continues to exchange its primary products for specialized articles produced in the metropolitan economies. The importance of "traditional" exports is actually growing within the total picture rather than diminishing, and the proportion of foreign sales by foreign affiliates is steadily decreasing within the total volume of sales. (1970: 39; emphasis in the original.)

This net export of capital just discussed is true of Latin America's dealings with the rest of the world as well. For example, between 1946 and 1968 Latin America was a net exporter of capital resources <sup>3</sup> to the rest of the world (largely the industrialized capitalist countries). According to reports of the United Nations Department of Economic and Social Affairs (1955; 1958; 1965; 1969a; and 1969b) Latin America lost \$ 7,533 million over the 1946-1968 period. (Some \$ 6,725 million of this was to American investors between 1950 and 1968.) <sup>4</sup> The 1961-1968 figure reads \$ 3,534 million---almost half of the previous 1946-1968 total.

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<sup>3</sup> The term "capital resources" refers to the net balance arrived from the inflows and outflows of private investment (direct and indirect), profits, dividends, license fees, shipping charges, foreign aid (grants and loans), amortization of loans, and interest charges.

<sup>4</sup> See the earlier discussion on pp. 50-51.

The kind of drain on capital resources presented here must be compensated in some way if Latin America is not to go under entirely. Foreign aid has been suggested as a way such a compensation can occur. (Galeano, 1970: 38) During the period 1960 to 1968 when Latin America lost \$ 5,154 million in capital to the United States corporations and investors the American people as a whole were paying taxes to their government which were channeled into foreign aid for Latin America. The net worth<sup>5</sup> of economic aid, between 1960 and 1968, was \$ 4,902 million, while the net military aid given was \$ 591 million for the same period. The net foreign aid thus totaled \$ 5,493 million. (United States Department of Commerce, Bureau of the Census, various years.)

The foreign aid, however, has numerous conditions attached to it before a recipient country can receive it. Such conditions may include the purchasing of certain goods and services from corporations of the lending country, the adopting of certain monetary and fiscal policies favorable to private investors, the offering of other attractions to foreign investment (provision of infrastructures per se and at low costs to the corporations), etc. These conditions are often imposed by "international" lending agencies such as the International Monetary Fund and the World Bank which are con-

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<sup>5</sup> "Net worth" refers to actual disbursements less repayments.

trolled by the industrialized capitalist nations. (Magdoff, 1969a: 115-154; Jalee, 1969: 103-111; Hayter, 1971.) It is important to note that this "aid" is largely in the form of repayable loans at interest rather than grants, or in inappropriate capital goods rather than cash. It is also important to re-emphasize, as does Mason (1970: 14), that it is the American people as a whole rather than American corporations which provide the bulk of the tax monies that are used for foreign aid.

In summary, then, the United States has extensive economic interests in Latin America. A prima facie case appears to exist for the conclusion that it is the United States corporations which gain from private foreign investment in Latin America and not the Latin American people. It remains for the thesis to more thoroughly establish such a conclusion.

## CHAPTER THREE

### UNITED STATES FOREIGN RELATIONS IN LATIN AMERICA

The intention of this chapter is to briefly outline the foreign relations of the United States towards Latin America, and to further outline the historical context within which the Alliance for Progress was formulated and initiated. It is hoped that such a discussion, although an abbreviated one, can provide further insight into the reality which is Latin America

#### American Foreign Policy in Latin America

In any examination of United States foreign policy towards Latin America one may be at pains to discern that policy's goals and directions. Instead, one may view America's Latin American relations as a jumble of diverse, bumbling, contradictory undertakings. In this regard Irving Louis Horowitz writes,

United States policy toward Latin America has been discussed so often one might be led to believe a policy exists. This is more fancy than fact; while major U.S. decisions often drastically effect affairs in Latin America, they do not flow from the overall design or consistent hemispheric posture to qualify as policy decisions. (1971: 74; emphasis in the original.)

Unlike Horowitz, this thesis takes the view that there is, indeed, an underlying thread of unity and purpose to United States policies and relations towards Latin America. On this very point, Magdoff writes,

Even though the day-to-day policy decisions are the product of numerous, and not necessarily consistent political, military, and economic variables, and even though these decisions are made by diverse human beings, some competent and some incompetent, a clearly discernible trend of foreign policy nevertheless does exist. (1971 : 2)

According to Magdoff, then, the major drift of United States foreign policy, in general, has been:

1. A drive to maintain as much of this globe as possible free for private trade and private enterprise. Subsumed under this are such considerations as (a) the prevention of competitive empires from acquiring privileged trading and investment preserves to the disadvantage of U.S. business interests, and (b) wherever feasible, the attainment of a preferred trading and investment position for U.S. business.
2. The promotion of counter-revolution.  
(1971 : 2)

It can be presumed that Magdoff would include the particular situation of Latin America within his general discussion.

With the advent of the "Monroe Doctrine" in 1820, it can reasonably be said that the United States was explicitly spelling out its position that Latin America was America's own particular domain. In that message President Monroe declared that Latin American nations were not open to colon-

ization by any European nation. It was made clear that "any intervention aimed at dominating or controlling them would be considered 'the manifestation of an unfriendly disposition toward the United States.'" (Aguilar, 1968: 25)

At this particular time in the nineteenth century the United States economy had not yet developed sufficiently to adequately enforce the doctrine. However, the consensus was there in the mind of Americans that Latin America was the United States' private preserve. To a certain degree, the United States was, indeed, able to adopt economic policies towards Latin America which gave the Americans more than moral suasion over their southern neighbours. On this point, Stedman-Jones has written,

One factor which differentiated British and American imperialism in the last half of the century was the American exploitation of tariffs as an instrument of informal empire. This mode of domination in South America increasingly took the form of the reciprocity treaty. Using the high all-round protective tariff as a bargaining counter, Frelinghuysen, ... US Secretary of State, negotiated this form of treaty with Mexico, Cuba, Puerto Rico, Santo Domingo, Salvador and Colombia. In return for a virtually free entrance for American manufactures, he reduced the tariff on certain imported raw materials---thus increasing the subordination of Latin American states to the US economy. As he himself explained, reciprocity in the case of the Caribbean islands, "brings the islands into close commercial connection with United States and confers us and them all the benefits that would result from annexation were that possible." (1970: 73)

In 1881 a Pan-American conference was proposed by the then Secretary of State James Blaine. Blaine felt that it was time for the United States to displace Europe as the major trading nation of Latin America.

The conference proposed by Blaine did not take place in 1881, or for almost a decade. But when the vast domestic market inside the United States began to be insufficient and the rate of profit began to decline, when the powerful industrial trusts, the mining and railroad interests, and the banks demanded new spheres of influence, and when the government entered the struggle for power against the old European regimes, the Pan-American system emerged. "Pan-Americanism was born in Washington in 1889, was promoted from Washington, and was received by Latin America, in the beginning, with coldness not unmixed with distrust. Annexation was not its purpose; it pursued a different objective, that of insuring the industrial domination of the United States in the new world." (Aguilar, 1968: 38)

By the 1890's there had been an increased consensus amongst American business leaders that for the United States to prevent an economic depression an outlet for excess production had to be found. The deteriorating situation in Cuba seemed to be preventing the Americans from adequately meeting the crisis of the depression in the 1890's. Stedman-Jones writes,

In 1895 there was a...Cuban revolution directed against Spain. The causes of discontent in the island were in fact a direct result of the Reciprocity Treaty negotiated with the US. A new American tariff in 1895 had eliminated the privileged position of Cuba in the American sugar market, and plantations were consequently forced to discharge hands. In the Revolution that follow-

ed considerable damage was done to Cuban-American property. Powerful US corporations launched a campaign for intervention in the island...At the same time business men who did not have assets to defend and who had hitherto opposed the war, considered that the situation was creating an atmosphere of business uncertainty, and that intervention was necessary to stabilize the situation so that domestic recovery and Asian expansion could proceed uninterrupted. (1970: 75) <sup>1</sup>

In their victorious war against Spain the United States came to possess the Philippines, Guam, and Puerto Rico. The theme of "manifest destiny" was reinforced and is captured in Senator Platt's remark: "Every expansion of our territory has been in accordance with the irresistible law of growth... The history of territorial expansion is the history of our nation's progress and glory. It is a matter to be proud of." (Aguilar, 1968: 41.)

At approximately the same time as the Cuban revolution (1896) England illegally seized part of Venezuela's territory. President Cleveland's response was to declare: "At the present moment, the United States, in fact, enjoys sovereign rights over the continent and its will has the force of law." (Aguilar, 1968: 40.) The increasing strength of the United States, both absolutely and relatively, enabled the Americans to vigorously back up their rhetoric.

In 1903 the Teller Amendment (used to justify the Cuban

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<sup>1</sup> Then, as now, business leaders held hegemony over America's political institutions. The reader is referred to studies exemplifying this: C. Wright Mills (1963); G. Kolko (1963); Weinstein (1968). For a discussion of American business expansionism at this time period see Williams (1959).

intervention) was replaced by the Platt Amendment. The Platt Amendment prevented Cuba from entering into certain treaties without American consent. The effect of the Amendment was to make Cuba a U.S. dependency. After the Platt Amendment there was the Reciprocal Trade Treaty which guaranteed the United States preferential tariffs in its trade with Cuba.

One of the most serious manipulations by the United States vis-a-vis Latin America at this time was its fomenting of separatism in Colombia. Colombia had flatly refused to permit the Americans to build across the Isthmus of Panama. By exploiting an old separatist sentiment amongst the people of the Isthmus, the United States "formulated a plan for an independent Panama as a United States protectorate under the Hay-Herran Treaty." (Aguilar, 1968: 47.) The Panamanian insurrection was simply a process by which the Panama Canal was quickly achieved.

President Theodore Roosevelt attempted to justify aggressions by his administration in Panama and elsewhere with his "Roosevelt Corollary." The corollary simply stated that the lack of order in any Latin American country called for intervention by a "civilized state" such as the United States. There was subsequent armed intervention in Venezuela in 1902, a second intervention in Cuba in 1906-1909, a third in 1912, fiscal intervention in the Dominican Republic, and further armed interventions in Nicaragua and the Dominican Republic ---to cite but a few cases.

Woodrow Wilson's accession to the American Presidency in 1912 was not to prevent further incursions upon Latin American nations' sovereignty by the United States. The involvement of Wilson and other Americans in the internal affairs of Mexico over the next ten year period at least is well known. During this time, of course, American private investment was flowing into Latin America. Britain was clearly being replaced as the major foreign economic power operating in Latin America. This penetration of private American investment often led to sharp conflicts. For example, "In 1922, Latin America shuddered at the massacre of Bolivian workers which accompanied the entry of foreign capital into the tin mines." (Aguilar, 1968: 64.) Investors trying to crush the Latin American labour movement were backed up by United States marines, for examples, Nicaragua, Haiti, and Santo Domingo.

Such apparently blatant encroachments upon the sovereignty of Latin American nations were eased, at least formally, with the arrival of Franklin Roosevelt's "Good Neighbor Policy." Latin American nations were given the recognition of being legally equal to other nations. Nevertheless, the essence of Latin American-United States relations, i.e. economic exploitation, was not altered. The economic exploitation was simply handled in a more sophisticated manner. Roosevelt himself believed that American investments in Latin America were necessary "in order to

develop sources of raw materials needed in the United States." (Aguilar, 1968: 70.) Except for small setbacks during World War II, the depression preceding that war, and World War I, American investments grew continuously.

American relations towards Latin America since the war have continued to affect the political sovereignty of the Latin American nations. There are numerous examples of violations of sovereignty including the incursions into Guatemala, Cuba, and the Dominican Republic. The American-sponsored coup in Guatemala may serve as a sufficient example and documentation of such interference although other cases could just as easily have been used.

On June 18, 1954 the Central American Republic of Guatemala was invaded from neighbouring Honduras. The Guatemalan government of Jacobo Arbenz had been democratically elected in 1950 by virtue of receiving 267,000 of the 370,000 votes cast. In March of 1953 the Arbenz Government expropriated 234,000 acres of 295,000 acres of uncultivated land owned by the United Fruit Company. Compensation was offered in the form of twenty-five year bonds yielding 3 percent per annum. Compensation was based on the value the company set for tax purposes in 1952. However, United Fruit found these terms unacceptable. An invasion of Guatemala took place aided by CIA-trained personnel and American-piloted planes. The Guatemalan government attempted to have the "incident" placed before the United Nations but was unsuccessful. The invasion,

on the other hand, proved to be successful in that a right-wing government took power.

The involvement of the United States government has been suggested by David Horowitz who writes,

...the United States Government had already shown impressive concern for the United Fruit Company...One explanation which has been offered for this fact is that John Foster Dulles was both a stockholder and long-time corporation counsel for the United Fruit Company, and was legal adviser to the company in drawing up the contracts of 1930 and 1936 with the Ubico dictatorship. (Allen Dulles, his brother and director of the CIA when the coup was organized, had actually been a president of United Fruit, while John Moors Cabot, then Assistant Secretary of State (under John Foster Dulles) for Inter-American Affairs, was a large stockholder.) (1967: 169)

The similar involvement of American military forces has been established in the more recent cases of Cuba (Zeitlin and Scheer, 1963) and the Dominican Republic (Petras, 1970: 275-298). The United States has other means of pressuring its Latin American neighbours including the Organization of American States (OAS), military and economic aid, other economic means, etc. The OAS has been such a clear tool of American interests that even Canada has refused to join it.<sup>2</sup> The United States has supplied Latin American countries with a net total of \$ 591 million in military aid between 1961 and 1968. "Some 46,000 Latin American officers are estimated

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<sup>2</sup> For a thorough discussion of Canada's other involvements in American military alliances see Warnock (1970).

to have been trained in the U.S."( World Marxist Review, 1971: 88.) Special forces (Green Berets) and other military personnel from the United States are currently in Latin America as "advisers" in the training of counter-insurgency forces.

In summary, then, if the foregoing discussion has not been sharply off the mark it seems fair to conclude that American foreign relations towards Latin America have included the following general features:

1) the major drift of United States foreign policy with respect to Latin America has been to maintain that part of the globe open to American private trade and privilege;

2) the tendency of the United States government has been to promote counter-revolutionary activities in Latin America in line with objective 1 above.

## II Birth of the Alliance

The failure of any Latin American nation, at least up to 1960, to move forward from underdevelopment to development; plus the opting out of the metropolis-satellite relationship by Cuba, has had a profound impact upon the thinking of American policy makers in particular and probably upon the American public in general.

The response of American political policymakers was to launch an "Alliance for Progress" in 1961. It is worth quoting at length from the speech President Kennedy made announcing that launching in March of 1961.

Kennedy said,

If we are to meet a problem so staggering in its dimensions, our approach must itself be equally bold---an approach consistent with the majestic concept of Operation Pan America. Therefore I have called on all people of the hemisphere to join in a new Alliance for Progress---Alianza para Progreso---a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for homes, work and land, health and schools---techo, trabajo y tierra, salud y escuela.

...And if we are successful, if our effort is bold enough and determined enough, then the close of this decade will mark the beginning of a new era in the American experience. The living standards of every American family will be on the rise, basic education will be available to all, hunger will be a forgotten experience, the need for massive outside help will have passed, most nations will have entered a period of self-sustaining growth, and though there will be still much to do, every American republic will be the master of its own revolution and its own hope and progress.

...if the countries of Latin America are ready to do their part, and I am sure they are, then I believe the United States, for its part, should help provide resources of a scope and magnitude sufficient to make this bold development plan a success... (Levinson and de Onis: 335-336)

The official birth of the Alliance was at a special meeting of the Inter-American Economic and Social Council. This meeting was held in Punta del Este, Uruguay, from August 5 to 17, 1961. Some twenty-one nations attended, being represented by their economic ministers and experts. The intention of the ALPRO was to rationalize the programs of aid and development of that time as well as to make additions to them. Such a procedure was to attain certain enumerated goals including: a 2.5 percent increase in ec-

onomic growth (G.D.P.) per capita per annum; the elimination of adult illiteracy by 1970; the provision of six years of primary education to all school-age children by 1971; the increasing of the life expectancy at birth by five years by 1971; the reduction of the infant mortality rate by one-half by 1971; the provision of potable water to 70 percent and 50 percent of the urban and rural populations respectively by 1971; the increasing of agricultural production; the diversification of exports; the improvement of health services; the improvement of educational services; and agrarian reform. (Levinson and de Onis, 1970: 352-371.)

The United States was to contribute some \$ 2 billion in aid per year to Latin American nations for the ten year period. It has never been clear whether or not this \$ 2 billion figure included private capital or not. (Holbik, 1968: 442-444) The American government seems to have included private capital sources within the \$ 2 billion figure. The 2 billion dollar figure has never been committed or disbursed through public agencies of the American government.

The general clash between Cuba and the United States at Punta del Este encompassed the particular clash between those two countries over this \$ 2 billion figure. (Gerassi, 1968: 259-260) This and other objections of the Cuban gov-

ernment did little to persuade the representatives of the nations present. The Alliance was approved by a 20 to 1 vote.

The Alliance may be interpreted as a significant response to the Cuban Revolution's turn towards communism rather than a genuine concern for the economic and social development of the Latin American nations. This interpretation, with some qualification, has been made not only by people on the left but by some of the ALPRO's biggest supporters. Levinson and de Onis, for instance, write, "Cuba's growing allegiance to the Communist bloc helped to accelerate and shape the creation of the Alliance as a democratic alternative to Cuba's revolutionary socialist formula for development in Latin America." (1970: 7 - 8 .)

Nevertheless, it is difficult, if not impossible, to establish the possible latent motivations of the ALPRO formulators. What can be established, however, is what interests or persons have benefited and what interests or persons have not since the coming of the Alliance in 1961. It is to this task that the thesis now turns.

CHAPTER FOUR  
METHODOLOGY and HYPOTHESES

The expressed purpose of this chapter is to discuss the procedure followed in handling the data collected. This discussion will include why particular variables were selected, the manner by which the data were collected, the sources from which the data were obtained, the reasons why the data were handled in a particular fashion, and the unit of analysis to which the data apply.

I

Methodological Approaches in the Literature

A review of the literature on underdevelopment in general, and on Latin American underdevelopment in particular, indicates that a limited number of approaches have been followed by social scientists in the presentation and handling of data. One approach has been to utilize descriptive data by which is meant percentages, means, etc. Such data may be used at one point in time or over a specified time period. From that certain conclusions are drawn. A second approach has been the "case study" approach which focuses on a particular underdeveloped nation. Data are presented and analyzed in the fashion outlined in the first approach mentioned, and/or by the application of relatively

complex economic models to the data. The latter approach<sup>1</sup> is generally used only by economists.

A third approach beginning to make an appearance in the literature (Micklin, 1970; Roberts and McBee, 1969; Gordon, 1968) utilizes the statistical techniques already widely used in other areas of sociology. These techniques include correlation coefficients, factor analysis, etc. This third approach is, however, a relatively new phenomenon in the sociology of underdevelopment. The first and third approaches seem to be well within the scope of this thesis.

## II

### Variables Selected

A basic concern of any study of underdevelopment must be with the manner in which variables for investigation and analysis are chosen. Ideally the selected variables should be thought to yield increased knowledge in a particular area of study. Additionally, variables which may run opposite to or negate one's expected findings cannot be excluded.

In this particular study some of the variables were pre-determined simply because the Alliance for Progress program set out certain goals in 1961 which were to be met by 1971. In reality, these goals of the ALPRO are variables

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<sup>1</sup> The reader may satisfy himself/herself that the approaches discussed are indeed the general approaches in the literature by looking at the examples of Furtado(1963 and 1970), Urquidi(1969), T.L. Smith(1963 and 1970), Lipset(1967).

and, therefore, are obviously variables to be included in the study. They include the following:

1) a 2.5 percent increase in per capita G.D.P. per annum; thus making economic growth(G.D.P.) a variable.

2) an improvement of life expectancy at birth by five years over the 1961-1971 period; thus making life expectancy a variable.

3) a reducing of the infant mortality rate by one-half by 1971; thus making infant mortality rate a variable.

4) an increasing of agricultural production; thus making agricultural production change a variable

5) the improvement of medical and health services. This goal has been operationally defined as an improvement in the ratio of the number of people per doctor. This assumes that the less people per doctor the better the services provided by doctors. This ratio has been shown to be a good measure of social development (Jalee, 1969: 10-11).

6) the provision of a primary education to all school-age children(children fourteen and under). Due to the incompleteness of available data this objective of the Alliance has had to be redefined. As a rough measure of improved educational services the thesis has chosen the ratio of the number of people per teacher. This assumes that the less people per teacher the higher the quality of education. There are obvious problems with this variable including the absence of an indication of the quality of the teacher

herself/himself. Nevertheless, the data collected on this variable may add some useful information.

7) the provision of potable water and sewerage to 70 percent of the urban and 50 percent of the rural populations; thus making the percentage of urban and rural populations having such services a variable(s).

These goals or variables are to apply, of course, to Latin America as a whole. This holistic application was defined by the nature of the Alliance program rather than by the present author. The additional variables must be viewed in this context as well.

In addition to the variables derived from the Alliance goals per se there are other variables used in the thesis which are either indicators of development or factors which may be influencing selected variables, particularly those derived from the ALPRO goals. Indicators of economic development include per capita income, per capita consumption of energy in kilograms of coal or equivalent, and per capita consumption of industrial steel in kilograms. The latter two "give a reasonably sure measure of the degree of industrialization and hence of the level of development" (Jalee, 1969: 8). The lack of readily available data have necessitated not using the per capita consumption of steel and per capita

income as measure of economic development.

The model used in the thesis assumes that there are a number of key factors influencing the goals of the Alliance, particularly the important goal of economic growth. Such factors include Latin America's trading relations with the United States which encompasses American direct investment in Latin America, the flow of American direct capital between the United States and Latin America, the net inflow of economic aid from the U.S. to Latin America, and the net inflow of military aid from the U.S. to Latin America. The following variables have, therefore, been considered worthy of investigation in the thesis. First of all, the imbalance of trade (excess of imports over exports) between Latin America and the United States. Secondly, the total value of American direct investment in Latin America. Thirdly, the net balance of direct capital flows between Latin America and the U.S., i.e., the inflow of direct investment from the U.S. to Latin America less the outflow of dividends and profits from Latin America to the U.S. Fourthly, the net flow of economic, military, and foreign (economic plus military) aid from the United States to Latin America.

All of these variables, like economic growth, were controlled for population differences, i.e. transformed

into per capita form. Like the ALPRO goal variables these variables will apply to Latin America as a whole. In other words, Latin America is the unit of analysis rather than individual Latin American nations.

### III

#### Countries Selected for Analysis

Throughout the thesis "Latin America" has been taken to mean nineteen Latin American nations which make up the unit to which the ALPRO goals were to apply to. Where possible this definition of Latin America will continue to be used. However, for a reason which will be offered momentarily, Latin America may now refer to only seven of the nineteen countries. These seven countries are considered to be the major Latin nations. The seven (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela) are the largest geographically and contain 85 percent of the Latin American population.

This reduction in the size of the unit of analysis was necessitated by the absence of country-by-country data on two key variables (total U.S. direct investment and direct capital flows between Latin America and the U.S.). Such a break-down is only available for the seven major nations. The present author contacted Institutes of Latin American

Studies at major American universities requesting information on these variables with respect to all the Latin American nations. The responses from these institutes indicated that they did not have such information. Thus, a decision to narrow the group was made. Where data is available for all nineteen they will be offered to facilitate comparisons by the reader. The impact of the results is not expected to be lessened by this procedure.

#### IV

##### Sources of Data

The thesis has relied heavily upon a number of data sources. Such sources include: the United Nations Statistical Yearbook (various years), the United Nations Demographic Yearbook (various years), The Rockefeller Report on the Americas (1969), the United States Survey of Current Business (various years), the Statistical Abstract of the United States (various years), and two studies of the ALPRO by Perloff (1969) and by Levinson and de Onis (1970). Other sources were used but those just cited were the major sources.

There are, of course, shortcomings to such sources but they are, nevertheless, the best available. The sources are sometimes incomplete and dependent upon collecting agencies less than rigorous in their collection of data. Some figures may be projections based on an earlier census and faulty assumptions. The American sources have a pro-American bias and are often based on reports from corporations which underestimate their direct investment holdings for tax purposes.

The Alliance studies done by Perloff and by Levinson and de Onis, although containing useful information, are done from a decidedly pro-Alliance, pro-American bias. In fact, Perloff was a key man involved in the implementation of the ALPRO program.

In spite of these qualifications the above-named sources are still the best from which data can be obtained. Furthermore, if anything, they lean away from the bias of the present author and the "metro-satellite" model used in the thesis.

Fortunately the data sources yielded figures for most of the variables involved for the years selected for intensive investigation. None, however, yielded data for much beyond 1968 and this meant that an evaluation of the Alliance from 1961 to 1971 was impossible. On the key variables of economic growth, American direct investment, trade, direct capital flows, and foreign aid there was complete data for each year from the early 1950's to the end of 1967. As will be seen in the next chapter on results some data on some Alliance goals was lacking for 1967 for some countries. Data circa 1967 has had to be used in such cases. However, data used in the testing of hypotheses was complete for both years.

The years "1961" and "1967" were chosen simply because 1961 was the year the Alliance started and 1967 was latest year for which complete data was available for all the Latin

American nations. The year "1967" seemed to be indicative of the data available for earlier years as well. An example may illustrate this point. The economic growth rate for all nineteen Latin American nations for 1967 was 1.6 percent. The average economic growth rate for the same countries from 1961 to the end of 1967 was 1.6 percent.

V

Hypotheses

A primary concern of the thesis is to evaluate and assess whether or not the Alliance did, indeed, reach the goals it set for itself in 1961. This evaluation is, in many respects, a relatively simple process. It is sufficient for the purposes of this thesis to enumerate the goals per se and then to examine the available data in order to see whether the goals have, indeed, been reached. If, for example, the goal of the Alliance with respect to economic growth is 2.5 percent per capita increase per year, and if the actual increase is but 1.6 percent then the Alliance is considered to have failed to reach its goal. It is important to stress at this point that the goals are taken to apply to Latin America as a whole rather than on a country-by-country basis. Thus, if Latin America, as a whole, fails to reach the goal then the ALPRO is considered to have failed. Such a procedure has been predetermined by the ALPRO itself but also facilitates statistical analysis.

Where the goal was to be attained over a ten-year period then simple projections can be made which will reflect whether the goal is likely to be achieved or not. Where goals have been equivocal in what is considered to be a "success" some judgment will have to be made. The reasons why such a judgment is made will, of course, be made explicit.

The assessment and evaluation of the Alliance is but one part of the thesis. The other part deals with discerning and delineating factors which may have contributed to the success or failure of the Alliance in any given objective. In other words, what are the socio-economic forces at work in Latin America which have shaped the context within which the Alliance was formulated and implemented? This delineation process can, presumably, be greatly facilitated through the utilization of specific, testable hypotheses. These hypotheses will attempt to identify the degree of relationship between certain key variables.

There are many who consider private investment contributes to the economic growth and the economic development of "Third World" nations. They advocate that American direct investment should be encouraged to invest in Latin America. Thus, The Rockefeller Report states,

A great many and probably a majority of the citizens of hemisphere nations regard United States private investment as a form of exploitation or economic colonialism. There is a

widespread, mistaken view that such investment takes more out of the area than it contributes to it. Fear of domination by United States companies is expressed frequently.

The central problem is the failure of governments throughout the hemisphere to recognize fully the importance of private investment. Thus realistic steps have not been taken to encourage private investment, to create a framework within which it can operate and which assures that it will serve the best interests of the entire community. (1969: 89)

Pearson et al. (1969: 105) have expressed a similar position when they wrote, "We have received the definite impression that most low-income countries would welcome a larger flow of foreign investment, sharing our belief that such flows would contribute to their faster growth."

On the other hand there have been many social scientists who question the favourable impact that such private foreign investment is supposedly having. Indeed, there are increasing numbers of economists who explicitly state that such direct investment from outside a country is at the root of the country's economic problems (Gonick, 1970: 43-74; Levitt, 1970; Dos Santos, 1970a: 231-236; O'Connor, 1970; Hymer, 1970b: 441-448; and Frank, 1969a and 1969b).

These latter economists generally contend that direct investment brings with it direct control through voting stock. Such stock tends to be concentrated in the hands of a relatively small number of outsiders who make the major decisions governing the corporation's conduct. These large multinational corporations tend to operate in the most dynamic economic sectors of the countries they occupy

and are able to structure the economic environment in which they operate. This structuring is motivated by the priorities the corporations have for their own advancement rather than the priorities of the area or region in which they operate.

The involvement of multinational corporations (generally American-owned) in Latin America is quite extensive and has possibly resulted in a mal-structuring of Latin American economies. These corporations tend to take out more capital than they put in, thus depriving Latin American nations of much-needed capital funds.

Given the above discussion and the thesis model, the following hypotheses are submitted for testing.

Hypothesis I. There will be an inverse relationship between the total value of United States direct investment in Latin American countries and the economic growth of those countries.

The hypothesis covers the seven major Latin American nations only. Economic growth is taken to be the dependent variable while direct investment is the independent variable.

Hypothesis II. There will be an inverse relationship between the net private foreign capital outflow from Latin American countries to the United States and the economic growth of those countries. The hypothesis again covers the seven major countries. The independent variable in this in-

stance is the private capital outflow.

Latin America historically has been highly dependent upon a handful of primary goods exports in its trading relations. On the other hand it has had to import most of its manufactured goods from industrialized nations, largely the United States. The United States has also served as its best customer for its exports. However, over the past few decades the prices for its exports have declined while the prices of its imported goods have risen. As will be discussed in Chapter Five Latin America's trading relations with the rest of the world have yielded a surplus for every year since 1946 (Dos Santos, 1970a: 233). However, almost half of Latin America's trade is with the United States. Latin America has shown a trade deficit in its trading relations with the U.S. Latin America appears locked into exporting a few primary products and imported manufactured goods meeting the needs of the corporations rather than the people according to the "metro-satellite" model. This and the trade deficit with the United States may be expected to be negatively related to economic growth.

Hypothesis III. There will be an inverse relationship between the deficit trade balance between Latin America and the United States and the economic growth of Latin America.

In other words, the greater the deficit trade balance for Latin American nations, i.e. the greater the excess of imports from the United States over exports to the United

States, the less economic growth there will be. The hypothesis will be tested for both groups of nations, i.e. the seven major countries and the nineteen countries. The independent variable is, of course, trade imbalance.

The varying sources of capital outflow (trade imbalance, profits, dividends, etc.) may be producing a severe drain upon the economies of Latin America. If these economies are not to go bankrupt then some kind of compensating mechanism must exist. Galeano(1970: 38) considers foreign aid to be compensating for the capital outflow produced by American multinational corporations.

Hypothesis IV. There will be a direct relationship between the net private foreign capital outflow from Latin America to the United States and the net foreign aid inflow from the United States to Latin America. "Foreign Aid" was identified earlier as "military aid" plus "economic aid." The "net" refers to actual disbursements less loan and interest payments.

There are some(Holbik, 1968: 442-452; Pearson et al., 1969: 7-11) who consider foreign aid, particularly economic aid, as being needed and useful for the economic growth and development of underdeveloped nations. Others(Magdoff, 1969; Jalee, 1969; Hayter, 1971) consider such aid to be so tied to conditions that the recipients must meet that the aid

actually contributes more to the economies of the lending nations than to the recipients. Indeed, such aid may be detrimental to the economies of the recipient nations.

The fifth hypothesis is expressed positively.

Hypothesis V. There will be a direct relationship between the net foreign aid inflow from the United States to Latin America and the economic growth of Latin American countries.

The hypothesis will be tested for both groups of Latin American nations, i.e. for the seven and the nineteen countries. The independent variable is taken to be foreign aid.

Since the private investment holdings of United States citizens is quite extensive in Latin America one might reasonably expect the United States government to take measures to 1) protect those investments, and 2) to facilitate their growth. One method of achieving both 1) and 2) is through foreign aid while a second method would be by military aid.

Hypothesis VI.(a) There will be a direct relationship between the total value of United States direct investment in Latin American countries and the net foreign aid inflow received by Latin American countries from the United States.

(b) There will be a direct relationship between the total value of United States direct investment in Latin American countries and the net military aid inflow received by Latin American countries from the United States.

The sub-hypotheses will be tested for the seven major countries.

Since it is the view taken in this thesis that social and economic development are accompanying or concomitant processes, some positive relationship should exist between indicators measuring those forms of development. Assuming that per capita consumption of energy is a sufficient indicator of economic development then the following hypothesis(sub-hypotheses) should be borne out.

Hypothesis VII.(a) There will be a direct relationship between economic development(per capita consumption of energy) and agricultural production.

(b) There will be an inverse relationship between economic development(per capita consumption of energy) and the number of people per doctor.

(c) There will be an inverse relationship between economic development(per capita consumption of energy) and the number of people per teacher.

Agricultural production, number of people per doctor, and number of people per teacher are considered dependent variables. The hypotheses will be tested for both groups of nations.

## VI

### Statistical Methods

A number of correlational techniques are available which describe the degree of relation between two or more variables. The particular correlation techniques chosen for use in the testing of the thesis hypotheses are: 1) Pearson's product-moment correlation coefficient (  $r$  ),

2) Kendall's tau, and 3) Spearman's rank-order(rho). Pearson r is appropriate for interval data with a large n while tau and rho are used with ordinal data. The data collected is interval in nature but is easily converted into ordinal data and can be ranked.

Although Pearsonian r is considered a superior technique it has limitations which are quite important in the present thesis. The r is a mean and is thus subject to the same ambiguities as a mean. Pearson's r "is markedly influenced by deviant cases, especially for a small n." (Hammond and Householder, 1963: 198) These two conditions apply to the present study in that the N is small (N=7) and the particular case of Venezuela is one which is sharply deviant from the rest.<sup>3</sup> Thus, in the present study the rho and tau correlations are more likely to reflect the relationships between the variables. The Spearman rho, for instance, "like the median, is not affected by markedly deviant cases, because both rank order r and the median are suited to ordinal scales, and therefore take into account direction but not distance." (Hammond and Householder, 1963: 198)

The data is readily convertible into ordinal data used in the calculation of rho and tau. The tau technique is con-

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2 In most instances N will be 7; in some instances it will be 19. A parameter (N) is the unit of analysis and not a sample (n).

3 Venezuela involves figures extremely larger than the other countries.

sidered to be a better technique than rho (McNemar, 1965: 205). Tau is often, but not always, one-third to one-half less than rho (McNemar, 1965: 205; Kendall, 1962: 12). One particular advantage that tau has over rho is the former's ability to be used in calculating partial rank-order correlation.

The Kendall's tau correlations obtained will be converted into partial rank-order correlation. This procedure enables the researcher to obtain the degree of relationship between two variables while controlling for one or more other variables. The formula used in this calculation process is as in Blalock(1960: 336). By this procedure, for example, one can see the degree of relationship between direct investment and economic growth while controlling for private capital outflow. This will become clearer with the presentation of results in Chapter Five.

The tau correlations will also be taken together to obtain a multiple correlation coefficient. Blalock writes about this procedure as follows:

Since our primary interest may be in the explanatory power of a number of independent variables taken together, rather than in the relationship between the dependent variable and each of the independent variables taken separately, we may prefer to make use of the multiple correlation coefficient... (1960: 346; emphasis in the original.)

Thus, one can begin to see the influence of a number of variables upon the dependent variable. Since a number of economic variables involving the United States and Latin America

are considered to be having an effect upon Latin America's economic growth rate this technique is of particular use in this study.

The process by which the multiple correlation will be calculated is discussed by Blalock (1960: 346-350). A word of caution must be entered. The multiple correlations obtained should be considered an heuristic device since the calculation process is designed for interval data rather than the ordinal data of Kendall's tau. When the rules are violated in this way the credibility of the results is lessened.

## VII

### Procedures for Handling Other Data

Besides using certain of the collected data in testing hypotheses other data collected will be presented and analyzed. A descriptive approach will be followed for both evaluating the Alliance per se and for discerning what socio-economic forces are at work in Latin America. This is the approach which is generally followed in the study of underdeveloped countries. By using this approach and correlations it is hoped that the thesis analysis will be strengthened.

## CHAPTER FIVE

### PRESENTATION AND ANALYSIS OF DATA

The main purpose of this chapter is to accomplish three general objectives. The first objective is to ascertain whether or not the Alliance for Progress did indeed reach the goals it set for itself in 1961. The second objective is the testing of the hypotheses formulated in Chapter Four. The third objective is to utilize both the hypothesized findings and other descriptive data to identify more accurately the socio-economic forces at work in Latin America during the formulation and implementation of the Alliance.

#### I

#### Evaluation of the Alliance Goals

It will be remembered by the reader that the Alliance set for itself a number of goals---most of which were to have been achieved over a ten-year period (1961-1971). The goals included: a minimum of 2.5 percent per capita increase in Gross Domestic Product per annum; a reduction in the infant mortality rate by one-half by 1971; an increase in agricultural production; the provision of six years of primary education to all school-age children (14 years of age and under) by 1971; an increase in the life expectancy at birth by

a minimum of five years by 1971; an improvement in medical and other health services; the provision of potable water and sewage disposal for not less than 70 percent of the urban and 50 percent of the rural populations by 1971; a diversification of exports; and a redistribution of rural land holdings.

The major goal of the Alliance was the 2.5 percent per capita increase in G.D.P. per year. The results with respect to this goal can be seen in Table 1 below.

Table 1

Per Capita Percent Increase in G.D.P. for Latin American Nations, for 1961, 1967, and 1961-1967

Country	1961	1967	1961-1967 average
Argentina	5.3	.5	0.4
Bolivia	-0.2	3.1	3.4
Brazil	4.3	1.7	1.0
Chile	1.3	1.0	1.8
Columbia	2.0	0.5	1.0
Costa Rica	-1.0	4.3	3.2
Dominican Republic	-7.5	na*	na*
Ecuador	-1.5	2.5	1.5
El Salvador	1.1	-0.1	3.1
Guatemala	0.9	0.2	3.1
Haiti	2.3	-3.3	-2.2
Honduras	0.4	0.0	1.0
Mexico	0.2	3.8	3.4
Nicaragua	2.9	1.4	3.8
Panama	6.5	6.7	5.2
Paraguay	3.0	0.2	0.4
Peru	2.8	0.4	2.3
Uruguay	1.8	-3.3	-1.1
Venezuela	-3.2	0.1	1.3
Latin America	2.0	1.6	1.6

Source: Pan American Union, quoted in Perloff (1966: 66). \* Last available figure, 1965, -15.0

As can be readily gathered from Table 1, the average economic growth rate per capita declined from 2.0 percent in 1961 to 1.6 percent in 1967 for all of Latin America. The 1961 to 1967 Latin American average was also 1.6 percent. Thus, Latin America as a whole fell 0.9 percent short of the minimum Alliance goal. The 1.6 percent figure was also less than the 1955-1960 average of 1.8 percent (Perloff, 1966: 66). For the seven major Latin American nations (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela) the 1961-1967 average growth rate was also 1.6 percent. For 1967 by itself, however, these seven countries averaged a 1.1 percent growth rate---1.4 percent less than the Alliance objective.

Data on this particular goal is still incomplete for 1968, 1969 and 1970. Levinson and de Onis (1970: 8) report that Latin American nations finally reached the minimum 2.5 percent figure in 1968. In 1968 Latin America experienced a 5.4 percent increase in G.D.P. and a 2.9 percent increase in population. According to recent newspaper reports (Winnipeg Free Press, August 17, 1971: 17) the Organization of American States has released a evaluative study of the Alliance indicating that Latin America had a further 2.5 percent increase in economic growth for 1969 and a 3.8 percent growth

rate for 1970. The source of this report is, of course, in question. Furthermore, given the recency of the report the figures would appear highly tentative. In addition, it cannot be over-stressed that the 2.5 percent figure was a minimal goal of the Alliance, and not an overly large growth rate at that. At such a growth rate it would take almost thirty years for production per capita to double.

Over the 1961-1967 period of the Alliance some seven of the nineteen countries experienced a 2.5 percent growth rate or better. Panama was far above the others with a 5.2 percent rate. It is important to note that only one of the seven major countries in Latin America, i.e. Mexico, reached or surpassed the 2.5 percent objective. In general, then, it seems safe to conclude that up to the end of 1967 most Latin American nations, representing the overwhelming majority of the Latin American population, had failed to meet the most important goal of the ALPRO, i.e. the 2.5 percent economic growth rate per capita per annum.

It is important at this point to make two brief comments concerning a nation's economic growth rate per se. First of all, the G.D.P. is a quantitative measure of the output of an area's goods and services and says nothing about the actual quality of the goods and services. Furthermore, the G.D.P.

makes no differentiation about goods and services as to whether such entities are meeting human needs or whether they are essentially luxury items. This latter aspect is of particular importance for underdeveloped nations, as in Latin America, in that the vast majority of their peoples need basic goods and services such as food, shelter, clothing, health services, etc. rather than goods and services making up the consumption patterns of developed nations.

Secondly, it must also be remembered that even when there is a fairly high growth rate there is no guarantee that the goods and services are being evenly distributed throughout the society. This point will be elaborated upon later on in the chapter.

A second explicitly stated goal of the Alliance was the reduction of the infant mortality rate by one-half by 1971. In 1961 the infant mortality rate for Latin America was 77.9 per one thousand live births. For the seven major Latin American countries it was somewhat higher at 87.1 per thousand. The comparable Canadian rate was 27.2 per thousand in 1961. By 1967 the rate for the nineteen Latin American countries was 63.3 per thousand while for the seven major countries it was 64.1 per thousand. This was 14.6 per thousand and 23 per thousand drop respectively. The comparative Canadian figure

for 1967 was 22 per thousand. Projecting the drops from 1961 to 1967 over the period ending in 1971 it was found that both Latin American groups would fall quite short of the Alliance goal. The 1971 figure would be 54.7 per thousand for the nineteen countries and 48.8 per thousand for the seven. The Alliance goal is 35.7 per thousand and 43.6 per thousand respectively. The projection figures obtained for the seven countries group may be flattering in that they started well behind the total Latin American average in 1961 but had pulled even by the end of 1967. Thus, their decrease from 1967 on may have been overstated. In general, then, it appears quite unlikely that this Alliance goal will be met.

The third goal of the Alliance was to increase the agricultural production of the Latin American nations. Unfortunately what constituted "an increase" was never really spelled out. Under normal circumstances a researcher wanting to make an evaluation under such conditions would have to define what he or she considered a reasonable increase. However, in this particular instance, as Table 2 reveals, such an operational definition of "increase" appears unneeded. That such a procedure is unnecessary is a direct result of the very low increase in agricultural output from 1961 to the end of 1967.

Table 2

Indices of Per-Capita Agricultural Production in Latin America, by Country, 1961-1967, (1957-1959 = 100 )

Country	1961	1962	1963	1964	1965	1966	1967
Mexico	100	106	104	109	114	111	108
Dominican Repub.	94	93	90	86	77	78	73
Haiti	103	91	82	79	79	73	70
Costa Rica	105	101	97	88	88	96	98
El Salvador	115	111	120	119	101	102	108
Guatemala	108	120	121	115	128	113	117
Honduras	100	101	99	104	107	97	103
Nicaragua	113	128	135	164	145	148	142
Panama	95	91	91	98	109	105	103
Argentina	97	97	107	103	93	98	103
Bolivia	99	95	98	97	93	93	87
Brazil	104	101	103	91	115	100	104
Chile	95	90	96	97	95	94	94
Colombia	96	98	96	92	93	90	92
Ecuador	111	108	103	103	106	107	111
Paraguay	98	101	100	95	95	88	97
Peru	114	111	106	109	104	103	97
Uruguay	105	104	107	114	109	99	86
Venezuela	98	102	112	110	113	114	117
Latin America	102	102	103	98	105	100	103

Source: Indices of Agricultural Production for the Western Hemisphere (excluding the U.S.), U.S. Department of Agriculture, May, 1969, p. 4. Quoted in Petras (1970: 267).

The figures clearly show that there has been little agricultural production increase for Latin America during the period under study. There was but a 1 percent per capita increase for all of Latin America between 1961 and 1967. This works out to less than 0.2 percent per capita per annum. In this particular case the facts do appear "to speak for themselves." The Alliance goal has clearly gone unmet.

According to Levinson and de Onis (1970) a fourth goal of the Alliance---the provision of a primary education to all children fourteen and under---has gone unmet. Levinson and de Onis write,

To be sure, the percentage of children not enrolled in primary schools did decline from 52 percent to 43 percent between 1960 and 1967. But at the end of 1967 an estimated 27 million school-age children---about three-quarters of a million more than in 1960---were still receiving no formal education.  
(1970: 10)

There appears to be little likelihood that the goal will be met by 1971.

Levinson and de Onis also claim that a fifth Alliance goal involving the elimination of adult illiteracy has also gone unmet. They write that there "has been no significant increase in adult literacy" since 1961 (Levinson and de Onis, 1970: 10). About 66 percent of the Latin American adult population was considered literate in 1960 (Rockefeller, 1969: 106-107).

A sixth goal of the Alliance was the increasing of one's life expectancy at birth by at least five years by 1971. The goal seems to cover individual countries as well as Latin America as a whole. The available figures are shown in Table 3.

Table 3

Life Expectancy at Birth for Latin American Nations, Circa 1961 and 1967

Country	Circa 1961	Circa 1967	Difference
Argentina	66	67	+1
Bolivia *	49	51	+2
Brazil *	36	57	+21
Chile	57	61	+4
Colombia *	45	60	+15
Costa Rica	63	65	+2
Dominican Republic	58	52	-6
Ecuador	52	54	+2
El Salvador	58	52	-6
Guatemala	49	49	0
Haiti *	33	47	+14
Honduras	47	49	+2
Mexico	59	63	+4
Nicaragua	46	69	+23
Panama	59	65	+6
Paraguay *	32	59	+27
Peru	54	55	+1
Uruguay	68	71	+3
Venezuela	66	66	0
Latin America	na	57	na
United States		70	

na= not available

\* = Circa 1951---no data circa 1961.

Sources: United Nations Demographic Yearbook, New York, various years.

From the data presented in Table 3 there are no real conclusions as to whether or not the Alliance goal has been or will be met. This inconclusiveness results from the obvious overall inadequacies of the data available. As can be seen from the comparable American figure (70) Latin America

as a whole still appears to have a long way to go. Where large improvements appear to have been made by some countries it must be remembered that the earlier base figure was circa 1951 and not 1961.

A seventh goal of the Alliance---that of "improving" the medical and other health services---was couched in ambiguous terms. There was never any specifying what "medical" and "other health services" consisted of. Furthermore, there was no indication of what an "improvement" would consist of. For the purposes of this thesis, then, the ratio of number of people per doctor is taken to be an indicator of medical and health services. The less people per doctor, presumably, the better quality of health services.

In 1961 there were 3,835 people per doctor in all of Latin America. By 1967 this ratio had been reduced to 2,999 people per doctor(United Nations Statistical Yearbook, various years). This was a 22 percent improvement over the space of six years---3.66 percent per annum. This is not a particularly easy figure to evaluate and, thus, conclusions vis-a-vis the Alliance goal are left to the reader. In making such an evaluation the reader should bear in mind comparable figures for other nations. In 1961 these figures were 690 for the U.S., 960 for Sweden, and 510 for the U.S. S.R. In addition the figures were 7,000 for Pakistan, 34,000 for Nigeria, and 7,600 for Thailand.

An eighth goal of the Alliance concerning potable water and sewage services has not been met according to Levinson and de Onis (1970: 10). The recently published Rockefeller Report concludes,

The 1961 Alliance for Progress goal of supplying potable water by 1971 for 70 per cent of urban peoples is likely to be met, but the Alliance goal of doing the same for 50 per cent of the rural peoples will fall short by almost 10 percentage points. (1969: 129)

In general, then, it appears unlikely that this Alliance goal will be met. Given the absence of hard data, however, this conclusion must be a guarded one.

A ninth goal of the ALPRO was to diversify Latin America's exports. The rationale behind such a goal was to direct Latin American nations away from being overly dependent upon one or a few exports especially raw resource exports, i.e. exports in the primary sector. The international market for such exports is highly unstable with the trend being to lower prices for such goods. Such instability and general price decline has serious repercussions for economies highly dependent upon such exports. Tables 4 and 5 give some indication as to whether the goal has been met.

Table 4

## Leading Export Commodities of 19 Latin American Nations 1959

Country	Number of Leading Export Commodities	Producing Percent of Total Exp- ort Earnings	Leading Export Commodities
Argentina	2	39	meat, wheat
Bolivia	2	71	tin, lead
Brazil	2	64	coffee, cacao
Chile	2	76	copper, nitrates
Colombia	2	92	coffee, oil
Costa Rica	2	86	coffee, bananas
Dominican Republic	2	65	sugar, cacao
Ecuador	2	75	bananas, coffee
El Salvador	2	88	coffee, cotton
Guatemala	2	85	coffee, bananas
Haiti	2	80	coffee, sisal
Honduras	2	70	bananas, coffee
Mexico	2	36	cotton, coffee
Nicaragua	2	73	cotton, coffee
Panama	2	72	bananas, cacao
Paraguay	2	46	wood pulp, meat
Peru	2	38	cotton, sugar
Uruguay	2	68	wool, meat
Venezuela	2	98	oil, iron ore

Source: Gerassi (1968: 32).

Table 5

## Leading Export Commodities of 16 Latin American Nations 1967

Country	Number of Leading Export Commodities	Producing Percent of Total Ex- ports	Leading Export Commodities
Argentina	4	61	meat, wheat, corn, wool
Bolivia	1	63	tin
Brazil	4	58	coffee, iron cotton, cocoa
Chile	3	85	copper, iron, nitrates
Colombia	2	69	coffee, oil
Costa Rica	2	60	coffee, bananas
Dominican Republic	5	91	sugar, coffee, cocoa, bauxite, tobacco
Ecuador	3	84	bananas, coffee, cocoa
Guatemala	4	69	coffee, cotton, bananas, sugar
Haiti	3	68	coffee, sugar sisal
Honduras	3	67	bananas, coffee, wood
Nicaragua	5	69	cotton, coffee, meat, cottonseed, sugar
Paraguay	6	77	meat, wood, cotton, quebracho, tobacco, oil seeds
Peru	6	78	copper, fishmeal, cotton, silver, lead, sugar
Uruguay	3	84	wool, meat, hides
Venezuela	2	98	oil iron ore

Source: Calculated from International Monetary Fund, International Financial Statistics, July, 1968. Quoted in Magdoff (1969: 99-100).

If the percentages under the headings "Producing Percent of Total Export Earnings" (1959) and "Producing Percent of Total Exports" (1967), in Tables 4 and 5 respectively, are taken to be roughly equivalent in identifying the trends, then the results may be interpreted in the following fashion. Between 1959 and 1967 there has been some diversification of primary sector exports for a number of the Latin American nations. On the whole, however, this diversification does not appear to have been extensive. The diversification that does exist has apparently not gone beyond the primary sector. This latter point is of particular importance given the fact that it is in the primary sector exports that there is price instability and decline while in the secondary sectors of manufacturing prices are rising. There shall be more said on this point later in the chapter. The conclusion at this point is a qualified one of the Alliance not having met this goal of export diversification.

A tenth goal of the Alliance was agrarian reform, i.e. the redistribution of rural land in Latin America. The land in rural areas of Latin America is generally considered to be very unevenly distributed amongst the rural population. This maldistribution of land has been considered an inefficiency and barrier to increased agricultural production. A relatively small number of people own large amounts of land call-

ed "latifundias" (over 1,000 hectares). The majority of the rural Latin American population own small amounts of land or often none at all. Much of the latifundias land lies unused, being held for speculative purposes. In addition, the idle land is kept that way to prevent the rest of the rural population from being able to eke out a living from the land, thus providing the large landowners with a readily available, cheap labour force at harvest time. Table 6 gives an indication of the distribution of land in Latin America in 1961.

Table 6

Percentage Distribution of Agricultural Holdings in 18 Latin American Countries, 1961

Size of Farms by hectares (2.5 acres)	Percent of all Farms	Percent of Total Farm Area
0-20	74.4	2.9
20-100	18.0	6.8
100-1,000	6.4	19.7
1,000 and over	1.2	71.6

Source: United Nations, the Economic Commission for Latin America, quoted in Gerassi (1968: 35). <sup>1</sup>

<sup>1</sup> Other sources give similar indications. See, for examples, Chonchol (1969: 82) and Barraclough (1970: 116).

According to the American-dominated OAS' own report agrarian reform has met with little success in Latin America(Frank, 1969c: 13-14). Where governments have recently moved with some vigor in this regard it has usually been to free capital resources for the more dynamic sectors of the private enterprise economy(Petras, 1970: 130-158). As was shown in Table 2 earlier, the lack of any substantial increase in agricultural production would tend to support the OAS conclusions.

The over-all picture which has been outlined in this first section of Chapter Five has revealed a general lack of success by the Alliance. It is unlikely, furthermore, that the Alliance will meet with any greater success between 1968 and 1971. It remains for this thesis to more fully delve into the reasons why this lack of success has occurred.

## II

### Results of Hypotheses Testing

It will be remembered that a number of hypotheses were postulated in the previous chapter (Four). These hypotheses were to facilitate an analysis of the socio-economic forces shaping the Latin American context in 1961 and 1967. By predicting certain relationships between what were considered to be "key variables" the findings should add

greatly to the understanding of the Latin American situation in 1961 and 1967.

Some ten variables were involved in the formulation of the various hypotheses. Certain relationships were expected between certain pairs of variables. However, the results given in the matrices presented in Tables 7, 8, and 9 give the relationships between each pair of variables. The correlations obtained for each pair are given vertically with the Kendall's tau first, the Spearman's rho second, and the Pearson's  $r$  third. Otherwise the tables should be read as any other matrix.

Table 7 gives the results between variables for the seven major countries in 1961. Table 8 gives the resulting correlations for the seven major countries in 1967. Table 9 gives the correlations obtained between certain variables for the nineteen Latin American nations both for 1961 and 1967.

The ten variables in matrices of Tables 7 and 8 are identified as follows: 1. economic growth, 2. the net deficit balance of trade between Latin American countries and the United States (trade imbalance = Latin American imports less exports vis-a-vis the United States), 3. the total value of American direct investment in Latin America, 4. the total value of the outflow of private capital from Latin America to the United States (direct investment inflow less profits and dividends outflow), 5. net foreign aid flowing into Latin America from the United States, 6. net military aid inflow to Latin America from the United States, 7. net economic aid inflow to Latin

America from the United States, 8. agricultural production of Latin America, 9. the number of people per doctor in Latin America, and 10. the number of people per teacher in Latin America.

The first hypothesis, it will be remembered, predicted a negative relationship between total U.S. direct investment and economic growth. The correlations obtained range from  $-.33$  (tau) to  $-.81$  (Pearson) for 1961 and from  $-.44$  to  $-.72$  (Pearson  $\underline{r}$  and rho respectively) for 1967. The hypothesis, then, is accepted. It is interesting to note, however, that the tau and rho correlations are much higher for 1967 than for 1961 while the reverse is true of the  $\underline{r}$ . The tau and rho correlations reflect a deepening of the relationship between 1961 and 1967 while the  $\underline{r}$  indicates a reverse trend.

It will be remembered by the reader from the discussion in Chapter Four that Pearson  $\underline{r}$  may give an inadequate reflection of the data due to the smallness of the N and the sharply deviant case of Venezuela. Thus it would appear that more confidence might be placed in the tau and rho correlations obtained. If such is the case then it appears that the negative relationship between American direct investment and Latin American economic growth has deepened between 1961 and 1967.

Table 7

Correlation Matrix for Ten Selected Variables, Latin America, 1961 N=7

Variable and number	1	2	3	4	5	6	7	8	9	10
1. economic growth	---	.33	-.33	-.14	-.33	-.43	-.33	.14	.14	.05
	---	.35	-.43	-.21	-.43	-.36	-.50	.18	.18	-.14
	---	-.29	-.81	.04	-.25	-.70	-.20	.23	.06	-.25
2. trade imbalance	.33	---	-.33	-.14	-.05	-.52	-.14	-.24	-.24	.14
	.35	---	-.45	-.18	-.04	-.71	-.18	-.29	-.29	.04
	-.29	---	.43	.31	.03	.93	-.04	-.02	.04	.05
3. direct investment	-.33	-.33	---	.24	.05	.62	.05	-.24	-.52	-.62
	-.43	-.45	---	.25	.29	.75	.29	-.32	-.64	-.75
	-.81	.43	---	.27	.22	.95	.15	-.22	-.28	-.21
4. capital outflow	-.14	-.14	.24	---	-.05	.24	.05	-.05	.24	.14
	-.21	-.18	.25	---	.06	.25	.14	-.14	.39	.32
	.04	.31	.27	---	-.37	.07	-.39	-.33	.20	.27
5. foreign aid	-.33	-.05	.05	-.05	---	.33	.91	-.43	.05	-.14
	-.43	-.04	.29	.06	---	.57	.93	-.54	-.04	-.07
	-.25	.03	.22	-.37	---	.27	.99	-.62	-.09	.00
6. military aid	-.43	-.52	.62	.24	.33	---	.91	-.43	.05	-.05
	-.36	-.71	.75	.25	.57	---	.96	-.54	-.04	-.07
	-.70	.93	.95	.07	.27	---	.20	-.05	-.09	-.15
7. economic aid	-.33	-.14	.05	.05	.91	.91	---	-.43	.05	-.05
	-.50	-.18	.29	.14	.93	.96	---	-.43	-.04	-.07
	-.20	-.04	.15	-.39	.99	.20	---	-.62	-.09	.01
8. agricultural production	.14	-.24	-.24	-.05	-.43	-.43	-.43	---	.24	.14
	.18	-.29	-.32	-.14	-.54	-.54	-.43	---	.29	.32
	.23	-.02	-.22	-.33	-.62	-.05	-.62	---	.41	.18
9. people per doctor	.14	-.24	-.52	.24	.05	.05	.05	.24	---	.81
	.18	-.29	-.64	.39	-.04	-.04	-.04	.29	---	.79
	.06	.04	-.28	.20	-.09	-.09	-.09	.41	---	.86
10. people per teacher	.05	.14	-.62	.32	-.14	-.05	-.05	.14	.81	---
	-.14	.04	-.75	.27	-.07	-.07	-.07	.32	.79	---
	-.25	.05	-.21	-.14	.00	-.15	.01	.18	.86	---

(105)

Table 8

Correlation Matrix for Ten Selected Variables, Latin America, 1967

N=7

Variable and number	1	2	3	4	5	6	7	8	9	10
1. economic growth	---	-.81	-.62	-.62	-.33	-.14	-.24	-.14	.14	-.14
	---	---	-.72	-.67	-.35	-.35	-.75	-.21	.21	.05
	---	---	---	.42	-.43	-.73	-.33	-.29	.25	.15
2. trade imbalance	-.81	---	.33	.43	.33	.05	-.33	-.05	-.14	-.24
	-.88	---	.35	.45	.34	-.04	-.36	-.07	.14	-.39
	-.57	---	.96	-.97	.64	.32	.62	.21	-.24	-.10
3. direct investment	-.62	.33	---	.81	.43	.42	-.52	-.05	-.05	-.24
	-.72	.35	---	.79	.64	.64	.64	-.14	-.11	-.39
	-.44	.96	---	-.99	.58	.30	.56	.18	-.36	-.28
4. capital outflow	-.62	.43	.81	---	.43	.62	.43	.07	-.07	-.05
	-.67	.45	.79	---	.61	.77	.61	.07	-.07	-.29
	.42	-.97	-.99	---	-.55	-.24	-.54	-.20	.35	.21
5. foreign aid	-.33	.33	.43	.43	---	.62	1.00	-.24	.52	-.05
	-.35	.34	.64	.61	---	.71	1.00	-.29	.61	.00
	-.43	.64	.58	-.55	---	.33	.99	.07	-.19	-.43
6. military aid	-.14	.05	.42	.62	.62	---	.62	.14	.43	-.33
	-.35	-.04	.64	.77	.71	---	.71	.21	.46	-.32
	-.73	.32	.30	-.24	.33	---	.19	-.73	-.19	-.43
7. economic aid	-.24	-.33	-.52	.43	1.00	.62	---	-.24	.52	-.05
	-.75	-.36	.64	.61	1.00	.71	---	-.29	.61	.00
	-.33	.62	.56	-.54	.99	.19	---	-.03	.47	.01
8. agricultural production	-.14	-.05	-.05	.07	-.24	.14	-.24	---	-.33	-.33
	-.21	-.07	-.14	.07	-.29	.21	-.29	---	-.36	-.46
	-.29	.21	.18	-.20	.07	-.73	-.03	---	-.43	-.52
9. people per doctor	-.14	-.14	-.05	-.07	.52	.43	.52	-.33	---	.24
	.21	.14	-.11	-.07	.61	.46	.61	-.36	---	.32
	.25	-.24	-.36	.35	-.19	-.19	.47	-.43	---	.56
10. people per teacher	-.14	-.24	-.24	-.05	-.05	-.33	-.05	-.33	.24	---
	.05	-.39	-.39	-.29	.00	-.32	.00	-.46	.32	---
	.15	-.10	-.28	.21	-.43	-.43	.01	-.52	.56	---

Table 9

## Correlation Matrix for Five Variables for 1961 and 1967

N=19

Variable and Number	1	2	3	4	5
<u>1961</u>					
1. economic growth	---	-.14	-.41	-.68	-.21
	---	-.21	-.32	-.65	-.20
	---	-.18	-.45	-.71	-.27
2. trade imbalance	-.14	---	.00	.14	-.05
	-.21	---	.04	.21	-.05
	-.18	---	.03	.35	-.10
3. foreign aid	-.21	.00	---	.41	.79
	-.32	.04	---	.56	.81
	-.45	.03	---	.65	.96
4. military aid	-.68	.14	.41	---	.24
	-.65	.21	.56	---	.33
	-.71	.35	.65	---	.40
5. economic aid	-.21	-.05	.79	.24	---
	-.20	-.05	.81	.33	---
	-.27	-.10	.96	.40	---
<u>1967</u>					
1. economic growth	---	-.21	.35	.14	.35
	---	-.32	.50	.12	.51
	---	.05	.78	.13	.77
2. trade imbalance	-.21	---	-.04	.21	-.10
	-.32	---	.04	.35	-.11
	.05	---	-.12	.40	-.15
3. foreign aid	.35	-.04	---	.05	1.00
	.50	.04	---	.05	1.00
	.78	-.12	---	.04	.99
4. military aid	.14	.21	.05	---	.05
	.12	.35	.05	---	-.04
	.13	.40	.04	---	-.04
5. economic aid	.35	-.10	1.00	.05	---
	.51	-.11	1.00	-.04	---
	.77	-.15	.99	-.04	---

(107)

The second hypothesis predicted a negative relationship between the total outflow of private capital from Latin America (less inflow) to the United States and the economic growth of Latin America. The rho and tau correlations for 1961 (-.21 and -.14 respectively) indicates a slight relationship in the direction expected. The Pearson correlation for 1961 indicates no relationship between the variables (.04). In sum, the correlations of all three indicate little relationship between the variables.

The correlations for 1967 indicate a somewhat different situation. The rho and tau correlations are quite high (-.67 and -.62 respectively) and in the direction expected. The Pearson r correlation indicates an opposite relationship, however, with the coefficient being .42. The discussion of the short-comings of Pearson's r must again be recalled by the reader, i.e. the small size of the parameter (N=7) and the effects of a sharply deviant case (Venezuela).

The anomalous Pearsonian r warrants further investigation, however. Thus, the following procedure was carried out: those countries experiencing an actual private capital outflow were designated as group "A" while those experiencing a slight (quite marginal but positive nonetheless) inflow were designated as group "B". The "A" group consisted of four countries, the "B" group of three. The average

economic growth rate of the two groups was then calculated and found to be 0.5 percent for group "A" and 2.0 percent for group "B." Given the small N and the fact that a parameter is being dealt with, any further calculations seemed inappropriate. The group of countries experiencing an outflow of private capital had a noticeably less average growth rate than those receiving a slight inflow. The tau and rho correlations are considered to be a truer indicator of the relationship between the variables.

If what has just been said is true then the results of tau and rho indicate that the negative relationship between the variables expected has indeed been found. Furthermore, this negative relationship has heightened between 1961 and 1967.

Hypothesis three predicted a negative relationship between the trade deficit Latin America has with the United States and Latin America's economic growth rate. For 1961 the results range from  $-.29$  (Pearson) to  $.35$  (rho) with tau being essentially equal to rho ( $.33$ ). The rho and tau correlations, considered to be better reflectors of the data in the present study, do not lend support to the hypothesis. Both correlations show a slight or moderate relationship in the opposite direction expected. Pearson's  $r$ , however, shows a slight or moderate relationship in the inverse or negative direction expected. The hypothesis, however, is taken to be not confirmed for 1961.

The resulting correlations for 1967 for the seven major countries indicate a somewhat different situation, however. All correlations are decidedly in the direction expected--- the  $r$  at  $-.57$ , tau at  $-.81$  and rho at  $-.88$ . The hypothesis is taken to be confirmed. It is interesting to note that in all three instances the relationships between the variables are quite high for 1967 as opposed to the 1961 results.

For all nineteen countries in 1961 (see Table 9) no correlation technique indicates any relationship between the variables. A slight negative relationship was found for the 1967 data ranging from  $-.21$  (tau) to  $-.32$  (rho). Guarded support is given to the hypothesis for 1967.

The fourth hypothesis predicted a positive relationship between the net private capital outflow from Latin America to the United States and the net foreign aid inflow from the United States to Latin America. The rho and tau correlations indicate no such relationship for 1961 but a fairly high ( $.61$  and  $.43$  respectively) relationship in the expected direction for 1967. Again the  $r$  results run opposite to the others showing a moderate inverse relationship ( $-.37$ ) in 1961 and a fairly high inverse relationship ( $-.55$ ) in 1967. Again the same qualifications about the size of  $N$  and the sharply deviant case of Venezuela are made. The rho and tau correlations indicate acceptance of the hypothesis.

A number of interpretations can be found for the results

just obtained. It could be argued that American investors are draining away capital from Latin America and that some kind of compensation must be made if the Latin American economies are not to go broke. This compensation comes out of the pockets of the American taxpayer as the American government channels foreign aid into Latin America as a compensation. A second interpretation runs as follows: the American government provides foreign aid to countries favourably inclined to private American investment. The favourable inclination may be in the form of tax holidays, the provision of an infrastructure, etc. Indeed, the foreign aid may be given with the specific provision that a certain infrastructure be provided. Only a more detailed investigation would yield answers in this regard.

The fifth hypothesis, expressed positively, predicted a positive relationship between foreign aid inflows to Latin America from the United and Latin American economic growth. That the opposite sort of relationship might occur is anticipated in the discussion above and from the findings of Gordon (1968) who found a slight negative relationship between economic aid and the economic growth of "Third World" nations.

The resulting correlations seem to corroborate Gordon's findings with the figures ranging from  $-.25$  ( $r$ ) to  $-.43$  ( $\rho$ ) for 1961 and  $-.33$  ( $\tau$ ) to  $-.43$  ( $r$ ) for 1967 for the

seven country group. Since the relationships are from slight to moderate the hypothesis is given qualified rejection. There appears to be little differences between the 1961 and 1967 results. Foreign aid seems to be inversely related to economic growth amongst the seven major countries of Latin America.

A somewhat different situation is indicated for Latin America as a whole. For 1961 the figures range from  $-.32$  ( $\rho$ ) to  $-.45$  ( $r$ ) corroborating the findings for 1961 for the seven countries above. However, in 1967 the correlations obtained are moderately or highly positive (from  $.35$  for  $\tau$  to  $.78$  for  $r$ ) thus running opposite the results obtained for the seven major countries. Thus, in 1967, there appears to be a moderate to high relationship between foreign aid and economic growth for Latin American countries as a whole.

The direct relationship obtained for the whole of Latin America with respect to the foreign aid and economic growth variables may be due to the fact that more conditions have been attached to foreign aid flowing to the seven major countries than to the other countries of Latin America. The relative absence of such conditions may result in the positive relationship. Another possibility might be that the conditions attached to foreign aid recipients may have a negative relationship with economic growth for the major seven and a positive rela-

tionship throughout the other Latin American countries.

Mixed "rejection" is given to hypothesis five.

Hypothesis six predicted a positive relationship between the net foreign aid inflow to Latin America from the United States and the total value of American direct investment in Latin America (seven countries). A direct relationship was also expected between the net military aid inflow and the total value of American direct investment.

The resulting correlations give guarded support to the hypothesis expecting a direct relation between foreign aid and total direct investment for 1961 and general support in 1967. The correlations range from .05(tau) to .29(rho) in 1961 and from .43(tau) to .64(rho) in 1967. The relationship appears to have heightened between 1961 and 1967.

The results for the hypothesis predicting a direct relationship between American military aid to Latin America and the total value of American direct investment in Latin America seems to be established. The correlations range from .62(tau) to .95( r ) in 1961 and from .30(gr ) to .64(rho) in 1967. The direct relationship seems to have eased somewhat between 1961 and 1967, however.

The results indicating a lessening relation between military aid and direct investment between 1961 and 1967 may mean

that there are increasingly other important factors which the American government considers in its distribution of military aid to Latin American nations. One such consideration might be the degree of political stability of certain countries with the less politically stable countries getting more military aid. The American government might consider the prevention of another Cuba of highest priority.

Hypothesis Seven (sub-hypotheses a, b, and c) predicted a direct relationship between economic development (as measured by the total consumption of energy) and a) agricultural production, and an inverse relationship between economic development and b) the number of people per doctor, and c) the number of people per teacher. The results for both groups of countries are given in Table 10, (p. 115). The results for both groups of countries are generally similar.

The results are clearly in the direction anticipated for the number of people per doctor and per teacher ratios. The inverse relationship is decisive for 1961 and eases somewhat for 1967. There is a general confirmation, then, that if total energy consumed per capita is an indicator of economic development then economic development and social development (as measured by people per doctor and people per teacher) are directly related (the results show an inverse relationship between economic development and social development which is read as follows: the greater the economic development the less people per doctor and people per teacher, i.e. the more social

Table 10

Correlations Between Economic Development Indicator and  
a) Agricultural Production, b) the Number of People per  
Doctor, and c) the Number of People per Teacher, for  
Latin American Countries, 1961 and 1967

<u>1961</u>	<u>tau</u>	<u>rho</u>	<u>gamma</u>
development and agriculture	.05	.17	-.40
development and doctor ratio	-.71	-.89	-.55
development and teach. ratio	-.43	-.21	-.38
 <u>1967</u>			
development and agriculture	.14	.18	.26
development and doctor ratio	-.43	-.57	-.67
development and teach. ratio	-.62	-.78	-.61
N=7			
 <u>1961</u>			
development and agriculture	.06	.14	-.34
development and doctor ratio	-.62	-.78	-.42
development and teach. ratio	-.33	-.23	-.33
 <u>1967</u>			
development and agriculture	.13	.21	-.06
development and doctor ratio	-.21	-.31	-.23
development and teach. ratio	-.21	-.33	-.20
N=19			

development).

Except for the 1961 Pearson's  $r$ , there appears to be little or no relationship between the measure of economic development used and the agricultural output. The previous qualifications about gamma should be kept in mind. The hypothesis is not accepted in this instance. The two variables appear to have no relation with one another and may indicate their sharp separateness in the economy as a whole, i.e. the agricultural sector being unrelated to the industrial sector.

Partial Rank-Order Correlation The resulting relationships between the variables of economic growth, total American direct investment, the outflow of private capital, and the net inflow of foreign aid obtained in Hypotheses I, II, and V were submitted to partial correlation analysis. (The variable entitled "trade imbalance" was not utilized due to multi-collinearity, i.e. other variables make up part of the trade imbalance variable.) This procedure enables one to gauge the degree of relationship between two variables while holding one or more other variables constant. The measure of partial correlation presented by Blalock(1960: 336) was used in order to gauge the degree to which other key variables reduce the impact of the major variables. The Kendall's tau correlations were calculated while controlling for one other variable. The dependent variable was taken to be economic growth. The results are presented in Table 11(p. 117) for both 1961 and 1967. The relationship between economic growth and an independent variable is being controlled with a third variable identified in column two.

As expected, the use of partial correlation analysis reduces the impact of all the independent variables considered. When direct investment is related to economic growth in 1967, for example, while controlling for private

capital outflow, the correlation coefficient is reduced from  $-.62$  to  $-.26$ . Other controls are also shown in Table 11. They too have reduced the influence of other independent variables relationships with economic growth. Direct investment and capital outflow both survived the influence of one upon the other, and thus operate as independent variables of considerable weight. Such results support the assumption of multiple impact with economic growth.

Table 11

Partial Rank Correlations Between Economic Growth and "Key" Independent Variables Controlling for a Third Variable, for Seven Latin American Countries, 1961 and 1967

Selected Variable and Variable Which Reduces its Impact on Economic Growth		Kendall's Tau Measure of Correlation	Kendall's Partial Rank Correlation
Independent Variable	Control Variable		
<u>1967</u>			
Direct Inv.	Outflow	$-.62$	$-.26$
Direct Inv.	Foreign Aid	$-.62$	$-.56$
Outflow	Direct Inv.	$-.62$	$-.26$
Outflow	Foreign Aid	$-.62$	$-.56$
<u>1961</u>			
Direct Inv.	Outflow	$-.33$	$-.31$
Direct Inv.	Foreign Aid	$-.333$	$-.331$
Outflow	Direct Inv.	$-.14$	$-.11$
Outflow	Foreign Aid	$-.14$	$-.13$

The resulting partial rank correlations for 1961 show reductions but all correlations were so low to begin with that the usefulness of the procedure lies mainly in comparative purposes.

Multiple Correlation In the immediately preceding discussion a control process was introduced because it is intuitively obvious that more than one variable is having an impact upon economic growth. By controlling for other variables one begins to get a truer impression of the particular degree of association between economic growth and another specific variable. This multiple association assumption can be pursued further through the use of multiple correlation.

By approaching economic growth through the use of multi-variable analysis one can examine the statistical impact of a plurality of factors, all considered at the same point in time. In this way it becomes possible to think in terms of the amount of variance explained simultaneously by a host of independent variables. The multiple correlations calculated (Blalock, 1960: 346-350) are shown in Table 12 for 1961 and 1967. The correlations indicate the combined impact of three key variables considered in the thesis: direct investment, private capital outflow, and foreign aid. All three are economic variables operat-

ing externally from the United States upon the internal economic growth rate of Latin America. In other words, they are economic variables which are integrally part of America's relationships with Latin America.

Table 12

Multiple Relationships and Economic Growth, for Seven Latin American Nations, 1961 and 1967

Direct Investment	Outflow	Foreign Aid	Multiple Correlation, $R^2$
<u>1967</u>			
x			.384
x	x		.426
x	x	x	.427
<u>1961</u>			
x			.109
x	x		.113
x	x	x	.114

Each "x" indicates the number of independent variables involved. The combination of direct investment and capital outflow account for 42.6 percent of the variance of economic growth. The previous analysis had already indicated their relative importance. Very little of the variance is accounted for by these variables in 1961 (11.3 percent).

Since 1961 the amount of American direct investment in Latin America has increased while the private capital outflow from Latin America to the United States has also gone up. These two variables have a strong negative relationship to economic growth in 1967 while showing a low relationship in 1961. These two variables have shown to account for almost 43 percent of the variance of economic growth in 1967 as contrasted to 11 percent in 1961. In other words, their combined impact seems to have increased sharply since the Alliance. While other external and internal factors may have an impact upon economic growth as well, nonetheless, these two variables of American direct investment and private capital outflow to the U.S. appear quite important.

### III

#### Further Presentation and Analysis of Data

Data presented in Section I of this chapter have indicated that the Alliance for Progress has had difficulty in meeting the goals it set for itself in 1961. This is particularly true of Latin America as a whole. The next section (Section II) of the chapter has provided the

reader with important information about the relationships between certain key variables which have likely shaped the context in which the Alliance was born and grew. This third section offers some additional data of a descriptive nature which will further facilitate the fuller comprehension of what socio-economic forces are at work in Latin America. This further information, combined with previous analysis, will aid the comprehending of why the Alliance failed and why Latin America remains underdeveloped.

In 1960 the total value of United States direct investment in Latin America was \$8,387 million. With the nationalization of all American corporate concerns in Cuba in late 1960 and early 1961 the total value of that direct investment dropped to \$8,166 million. However, the total value in the rest of Latin America increased. By the end of 1967 this total value had increased by \$2,099 million, i.e. a 25.7% increase over six years. The largest increases took place in the manufacturing sector---from \$1,655 million in 1961 to \$3,301 million by the end of 1967. This doubling of American manufacturing investment in Latin America indicates the profound penetration of American owned multinational corporations into the economies of Latin American nations.

Numerous studies (Galeano, 1969: 13; Dos Santos, 1968;

Lewis, 1960: 304-307; Petras, 1970: 130) have clearly shown that it is American-owned multinationals which control the most dynamic sectors of the Latin American economies. This can have dire consequences for these economies in that control over the major economic sectors are in the hands of foreign nationals who may have priorities which may sharply differ from those of Latin Americans. Production is likely to be geared to the priorities of the multinational corporate conglomerates which are profits and growth.

Dos Santos has argued that there is emerging in Latin America a new form of dependence in addition to the dependence of Latin American countries upon undiversified exporting. He writes,

In the postwar period a new type of dependence has been consolidated, based on multinational corporations which began to invest in industries geared to the internal market of underdeveloped countries. This form of dependence is basically technological-industrial dependence. (Dos Santos, 1970 : 232)

The multinational corporations not only hold patents on the best technology of the capitalist world but also have the power to move it where they want according to their own priorities.

The effects of this mobility have been noted by Stephen Hymer.

In many cases, business enterprises (the microcosm) are now broader than nation states (the macrocosm). In other words, the part is greater than the whole and old balances and rivalries have, to some extent, been upset. The corporat-

ion gains flexibility by crossing international boundaries and erodes the power of the nation state. But the state power is crucial to the functioning of the economy. (Hymer, 1970: 243)

The available economic tools capitalist states have to make the economy run relatively smoothly, i.e. monetary and fiscal policy, have been emasculated to a large degree (Hymer, 1970: 244). This has resulted directly from the spread of the multinational corporation and can have important ramifications for Latin American countries striving for economic growth and development.

The expansion of American corporate concerns in Latin America has been accompanied by the expansion of American-owned banks. In 1960, before the Alliance, the United States had some 55 branches of banks in thirteen Latin American nations. By 1967 this total had more than doubled to 134 covering every Latin American country (Magdoff, 1969: 75).

American-owned banking concerns tend to favour American-owned corporations with their loans rather than indigenous, native enterprises. Indeed, this seems highly reasonable given the fact that the banking and other corporations are heavily interlocked and intertwined (Fitch and Oppenheimer, 1970a; 1970b; 1970c). American multinational corporations raise most of their capital needs within local Latin American markets (Frank, 1969b: 50).

Pearson et al.(1969) have argued that underdeveloped nations, such as those in Latin America, need private foreign investment in order to develop. Results in section II indicated that such investment is negatively related to economic growth in Latin America. Furthermore, it was noted in Chapter Two that Latin America was actually a net exporter of privately owned capital to the United States. During the Alliance period, for example, the inflow of such private direct capital amounted to \$ 2,029 million while the outflow in the forms of profits and dividends was \$ 6,205 million for the same period---for a net loss of \$ 4,176 million (an average amount of \$ 596 million per year)(United States Statistical Abstract, various years). This net loss of capital was twice that experienced during the 1950-1960 period, i.e. before the Alliance. (U.S. Statistical Abstract, various years) As has been previously indicated in Chapter Two Frank(1969b: 50-52), Petras (1970: 234-235), and Bodenheimer (1970: 113-114) consider this net loss figure to be a decided underestimate. Pierre Jalee (1969: 125)<sup>2</sup> has estimated that the overall net outflow of capital from Latin America to the developed countries totalled some \$ 1,970 million in 1964.

Foreign aid supplied by the United States government has been able to compensate such capital outflows apparently.

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<sup>2</sup> This refers to the net balance of private capital flows, license and shipping fees, insurance rates, patent rates, export-import balances, foreign aid, foreign repayments, interest rates, etc.

It will be remembered that the private capital outflow to the United States between 1961 and 1967 totalled \$ 4, 176 million. The net inflow of foreign aid from the United States to Latin America for the same period was \$ 5,234 million (United States Statistical Abstract, various years). This foreign aid was, of course, largely financed by the American working people rather than corporate taxes (Kolko, 1962; Lundberg, 1969).

As was established by the results in section II this foreign aid is largely negatively associated with economic growth. Foreign aid has become continually more tied to conditions imposed by the creditor nation. Dos Santos sees little value in such aid when he writes,

The real value of this aid...is doubtful. If overcharges resulting from the restrictive terms of the aid are subtracted from the total amount of the grants, the average net flow, according to calculations of the Inter-American Economic and Social Council, is approximately 54 percent of the gross flow.

If we take account of certain further facts ---that a high proportion of aid is paid in local currencies, that Latin American countries make contributions to international financial institutions, and that credits are often "tied" ---we find a "real component of foreign aid" of 42.2 percent on a very favorable hypothesis and 38.3 percent on a more realistic one. (1970 : 233)

The "ties" or conditions of which Dos Santos speaks include: the aid received is to be used to purchase products

of companies situated in the creditor nation; the shipping of goods is to take place on shipping lines owned by concerns based in the creditor nation; the channeling of the aid received is to serve businesses of the lending nation, etc. In addition, much of the aid is in the form of technological goods rather than money and, thus, can lock the recipient nations into certain forms of production. Such production may be of little real use to the recipient nation.

Although Latin American nations have experienced a favourable balance of trade with the rest of the world this cannot be regarded as enviable given the present situation. Trading relations take place within highly unstable and often monopolized international markets when the goods are primary resources. Latin American economies are largely dependent upon exporting one or a few raw materials, lacking diversification in their exports. The Latin American countries sell the raw materials to the developed countries which manufacture them and sell them back to the Latin American nations. The prices for Latin American exports are declining while the prices for their imports are rising. Using data supplied by the United Nations and by the International Monetary Fund Dos Santos (1970: 233) has calculated that Latin America lost \$ 26,383 million over the 1951-1966 period due to a deterioration of the terms of trade. Galeano claims that the import-

ance of primary exports "is actually growing within the total picture rather than diminishing" (1970: 39).

Latin America's trade surplus with the rest of the world turns into a trade deficit when viewing its trade relations with the United States. This deficit has increased between 1961 and 1967 going from minus \$ 220 million to minus \$ 243 million. The seven major countries in particular have experienced this phenomenon going from a surplus of \$ 117 million in 1961 to a deficit of \$ 133 million in 1967. The total trade deficit for all of Latin America over the 1961-1967 period was \$ 535 million. (United Nations Statistical Yearbook, various years)

Latin America's economic deterioration relative to the developed countries can be seen from Table 13. This table compares Latin America's levels of industrialization in 1960 and 1966. The level of industrialization is a ratio of B to A. Latin America's share of industrial production in the capitalist world has declined between 1960 and 1966 while

Table 13

Latin America's Level of Industrialization in 1960 and 1966

Year	Latin America's Share in Population of Capitalist World (%)	Latin America's Share in Industrial Production of Capitalist World (%)	Level of Industrialization
1960	10.5	3.9	0.37
1966	11.0	3.6	0.32

Source: Vol'sky (1970: 135)

its share of the population in the capitalist world has increased. Thus, it is relatively less industrialized since the start of the Alliance.

The industrialization undertaken by American-owned multinational corporations has further consequences for Latin Americans. Such corporations tend to be capital intensive rather than labour intensive. The inability of rural Latin Americans to eke out a living in rural Latin America, due to the maldistribution of land, forces them to come to the cities. Petras writes on this process,

Social tension and polarization in Latin America result in part from the fact that accelerated urbanization has coincided with a decline in the development of labor-intensive industry and an increase in the production of machinery through capital-intensive investments. The relative decline in small artisan shops, which are unable to compete with the larger firms, is matched by an eclipse of labor-intensive industry by automatic machinery. In these circumstances, rural migration has resulted in the expansion of a large urban slum class (3) which is employed neither by artisan shops nor by the manufacturing firms.  
(1970: 14-15)

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3 For a full discussion of the resulting slums in Latin America the reader is referred to Frank (1970: 215-235).

The Economic Commission on Latin America as well as the International Labor Organization have labouriously constructed estimates on Latin American unemployment and underemployment. For Latin America the combined figure is taken to be 25 percent of the active population with agriculture accounting for 45 percent of this total (Frank, 1969c: 7). In order to eliminate unemployment resulting from natural growth in the labour force and the already existing unemployment Latin America requires an economic growth rate of 8 percent per year (Frank, 1969c: 8).

The uneven structure of the Latin American economy extends to the distribution of income as well. In 1965 the poorest 20 percent receive only 3 percent of all income or an average of \$60 (U.S.) per year. The poorest 50 percent receive some 13 percent of the income or an average of \$100 (U.S.) per year. The richest 5 percent receive 33 percent of the income with the richest 1 percent receiving 17 percent of the income (Frank, 1969c: 9). Furthermore, according to this United Nations data, this unequal distribution is becoming more unequal due to the structural unemployment discussed above. With such a maldistribution of income and the widespread poverty, there appears to be little need for the consumer-type items so readily supplied by American multinational corporations in Latin America. These kinds of goods are not meeting the prime needs of Latin Americans.

Summary

The data presented vis-a-vis the Alliance for Progress indicate that the program failed to reach its objectives, at least by the end of 1967. Further data indicate that it is unlikely that the ALPRO will reach its goals by its 1971 deadline. Correlations between certain pairs of variables indicated that Latin America's trading relations with the United States, American direct investment in Latin America, Latin America's private capital outflow to the United States, and the United States' "foreign aid" to Latin America have all had a negative impact upon Latin America's economic growth after six years of the Alliance.

Furthermore, other data indicate that Latin America is not showing any meaningful signs of economic and social development since the Alliance was implemented. All of this seems to indicate that Latin America is not benefiting economically from its association with the United States. Its relationship to the United States appears to be that of a satellite or neo-colony. There appears to be little room for optimism vis-a-vis Latin America's development if the present trends continue.

## CHAPTER SIX

### CONCLUSIONS AND IMPLICATIONS

In brief, the thesis essentially set out to accomplish two things. The first was to examine underdevelopment in Latin America in general. The second was to evaluate a specific program of planned social change implemented to overcome, at least to some significant degree, the underdeveloped status of Latin America.

The program of planned social change, i.e. the Alliance for Progress, was initiated in 1961. The thesis has shown that by the end of 1967 this program was still a ways from achieving its objectives. It has also been indicated that the Alliance was unlikely to reach its goals by 1971. One must be cautious in these conclusions, however, given the shortcomings of a lot of the data.

The thesis has made use of a Marxian conflict model of underdevelopment in an attempt to delineate what socioeconomic forces were operative in Latin America which may be keeping the Alliance from reaching its stated objectives. This delineation process was facilitated by the testing of specific hypotheses. Other descriptive data were also used. Certain key variables with external associations implying economic imperialism were found to have little apparent relationship with the primary ALPRO goal---economic growth---

in 1961. However, by 1967 (after six years of the Alliance) these same variables had a very high negative relationship with the economic growth rate of Latin America (seven major countries). The key variables proved to be Latin America's trade deficit with the United States, the total value of American direct investment in Latin America, the outflow of direct private investment from Latin America to the United States, and to a lesser extent the net inflow of foreign aid from the United States to Latin America.

Since the implementation of the Alliance in 1961 Latin America's trading relations with the U.S. have worsened, American direct investment in Latin America has increased, and the outflow of capital from Latin America to the United States has also increased. In the very least, the data have indicated that such processes are not positively associated with economic growth, especially in 1967.

The main goal of the Alliance (the 2.5 percent increase in economic growth per capita per year) does not appear to have been reached by the end of 1967. Although there are shortcomings in the data it appears that the other Alliance goals remain unmet as well. Latin America appears little better off since the Alliance. Of major importance is the fact that a conflict model appears best able to account for the apparent continuance of Latin American underdevelopment. The prevailing perspectives in sociology today

do not appear to be able to account for all the facts. The "metro-satellite" conflict model used in the thesis appears much better able to do so.

There are certain areas of investigation which future research could focus on. One such project would be to repeat this study with better, more up-to-date data when such data becomes available. Another investigation could analyze Cuba's apparent economic and social development in comparison with other Latin American nations. There have been some studies of Cuban development since that country has opted out of the "metro-satellite" ties it had with the U.S. Such studies include one by Boorstein(1968) and one by Huberman and Sweezy(1969). These have tended to focus only on Cuba, however.

A further research investigation could look at Mexico from the "metro-satellite" model in order to comprehend why that country has experienced a relatively better economic growth rate than other major Latin American nations.

Finally, it is increasingly clear to the present author that Latin America must be viewed at various levels ---the local, national, and international while at the same time always viewing Latin America as part of an over-all capitalist system. Latin America's class structure and political-economy cannot be fully understood in any other way.

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